Crown Investments Corporation
of Saskatchewan

ANNUAL REPORT

Crown Investments Corporation of Saskatchewan (CIC) is the financially self-sufficient holding company for 12 subsidiary commercial Crown corporations.

2008

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 31, 2009

To His Honour
The Honourable Gordon Barnhart
Lieutenant Governor of the Province of Saskatchewan

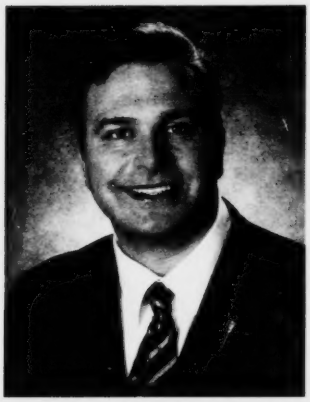
Sir:
I have the honour to submit herewith the thirty-first Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2008 in accordance with The Crown Corporations Act, 1993. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Sir,

Your obedient servant,

Ken Cheveldayoff
Minister of Crown Corporations

MINISTER'S MESSAGE



It continues to be an exciting, rewarding time in our Crown sector. Three of our Crowns were recognized by Maclean's magazine for excellence in diversity, part of its 2009 Top 100 Employers Competition. In addition, CIC is one of six Crowns among Saskatchewan's Top 15 Employers, selected by the Editors of Canada's Top 100 Employers. I take pride in knowing our Crowns' workforces reflect our communities and are recognized as exceptional places to work.

Investigating power sources that reduce greenhouse gas emissions was again a priority. We established the Uranium Development Panel to advise, identify, evaluate and make recommendations to government on uranium value-added opportunities, best suited to Saskatchewan.

Last year also marked the sale of Saskferco, a triple play for the province. The sale generated a significant return that is being invested in new priorities. An extremely well respected international leader in nitrogen fertilizer purchased the Saskatchewan company. And our partner, Mosaic Canada, can use its proceeds to expand its core business of potash, which will also benefit Saskatchewan.

My priority for the future remains the same: to ensure that Saskatchewan's Crown corporations remain publicly owned and provide high quality services at a low cost. This is a promise our Government made to the people of Saskatchewan, and it is a promise we will keep. A current theme in the Crown sector that I expect to continue is growth. By that, I mean the changes required within the Crowns to sustain and support Saskatchewan's economic momentum.

Our new Saskatchewan First investment policy for the Crowns also reflects this theme. The policy recognizes that our growing economy presents increasing opportunity for investing in our own province. We will continue to move in that direction.

The strong provincial economy will no doubt result in record demands for services from our Crowns again this year.

As you will see in this report, our Crown sector is financially healthy and ready to meet the challenges and opportunities of the coming years.

I am pleased to present CIC's 2008 Annual Report.

Ken Cheveldayoff
Minister of Crown Corporations
Chair of the CIC Board

PRESIDENT'S MESSAGE

In light of the current global economic crisis, 2008 was another remarkably solid year financially for Saskatchewan's Crown corporation sector.

CIC and its 12 subsidiary Crowns posted net earnings of $977.0 million, an increase of $280.7 million from 2007 ($696.3 million). The higher profit was due mainly to the sale of Investment Saskatchewan's 49.5 per cent interest in Saskferco, the nitrogen fertilizer plant west of Regina near Belle Plaine. The sale generated net proceeds of $816.9 million, resulting in a gain on sale of $679.8 million to consolidated results. There were also increased earnings at SaskTel, SGI, Investment Saskatchewan, Information Services Corporation, and Saskatchewan Opportunities Corporation, partially offset by lower earnings at SaskPower, SaskEnergy and SaskWater.

As a result of the higher earnings, the consolidated return on equity was 22.2 per cent in 2008, compared with 17.8 per cent in 2007.

Consolidated revenue of $4,837.4 million for 2008 went up $385.2 million from 2007 ($4,452.2 million). The revenue growth was due mainly to the extraordinary economic growth in Saskatchewan in 2008, which resulted in increased electrical and gas sales, more insurance policies being written, and an increase in wireless and MAX™ sales revenues. In addition, we had the first-time inclusion of gaming revenues from Saskatchewan Gaming Corporation.

Earnings for CIC as the holding company, also referred to as non-consolidated earnings, were $749.3 million in 2008, an increase of $172.4 million from 2007 ($576.9 million). These earnings allowed CIC to declare a dividend of $365 million to the province's General Revenue Fund (GRF). The special dividend will fund Government priorities such as highways and the new Environmental Green Fund. CIC's strong cash position also allowed CIC to repay $130 million in equity advances to the GRF, helping the Province pay down the debt in 2008.

The dramatic growth in our economy over the past year has necessitated an increase in supply of various utility services to ensure there are no infrastructure bottlenecks. Last year saw record demand for Crown corporation services – more vehicles were registered and more customers for our utility companies. In turn, we are increasing our capacity to provide electricity, gas, and telecommunications services by upgrading existing infrastructure and adding new plants in partnership with the private sector to meet customer demands.

I look forward to the challenges and changes ahead. I am confident that the staff at CIC and the employees in the CIC Crown sector are ready to meet these challenges and build on our success of 2008.

Ron Styles
President and CEO

CIC

Crown Investments Corporation of Saskatchewan

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CIC'S VISION, MISSION AND VALUES

CIC is the financially self-sufficient holding company for 12 subsidiary commercial Crown corporations. CIC's roots are in The Government Finance Office (GFO), which was established in 1947. The GFO's role was to act as a holding company for many of Saskatchewan's Crown corporations and to be a mechanism for developing broad policy control, directing investment, and routing dividends into the Provincial Government's consolidated fund. In 1978, the GFO was renamed Crown Investments Corporation of Saskatchewan. The Crown Corporations Act, 1993, is the current governing legislation.

CIC's Vision

To be the corporate leader, guiding and inspiring the most innovative Crown sector in Canada.

CIC's Mission

As the holding company, we deliver strategic shareholder direction to Saskatchewan's Crown corporations, and pursue initiatives that contribute to Saskatchewan's economic success.

CIC's Values

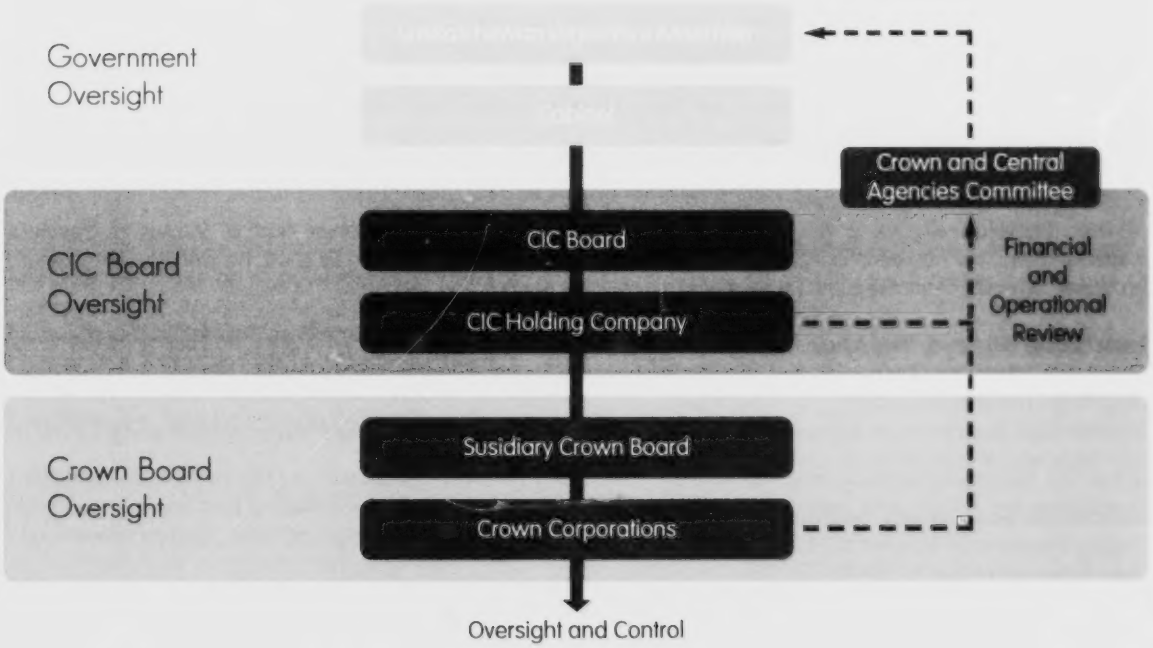
Integrity: We are trustworthy, respectful of others, and accountable. We honour our commitments and conduct our business ethically.

Social responsibility: We demonstrate good corporate citizenship through volunteerism, diversity, sponsorship and environmental responsibility.

Excellence: We hold ourselves to the highest business standards, striving to achieve our full potential and inspiring others to attain theirs.

Leadership: We provide guidance and inspiration, valuing the contributions of our employees and partners. We work together to achieve our common objectives.

FINANCIAL AND PUBLIC ACCOUNTABILITY STRUCTURE



CIC BOARD OF DIRECTORS

Honourable Ken Cheveldayoff, Chair

Honourable Bill Boyd, Vice Chair

Honourable Ken Krawetz, Member

The CIC Board of Directors is a key Cabinet committee which acts as a liaison between Cabinet and Crown corporations. The Board makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The Board's key responsibilities are to:

- set strategic direction for the Crown sector;
- provide oversight to subsidiary Crown corporations by setting performance expectations, allocating capital within the sector, and monitoring and evaluating performance;
- provide oversight to CIC management by approving business plans and budgets, monitoring and evaluating corporate performance; and
- act as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

Independence of the CIC Board

The CIC Board consists of three members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council and functions as a committee to the Provincial Cabinet. The CIC Board is comprised of non-independent members.

Conflict of Interest / Code of Conduct

As the CIC Board consists of Cabinet Ministers, they are subject to The Members Conflict of Interest Act and are governed by specific legislation regarding their conduct as Members of the Legislative Assembly. In addition, the CIC Board members are subject to the "Code of Ethical Conduct" for Members of the Legislative Assembly.

Boards of CIC subsidiary Crown corporations are subject to CIC's Conflict of Interest / Code of Conduct guidelines.

The CIC Board met 19 times in 2008. The Board has an additional in-camera session at every meeting. The Board does not have any committees.

At December 31, 2008, the CIC Board consisted of three members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council:

Honourable Ken Cheveldayoff, Chair
Minister of Crown Corporations
(Appointed November 22, 2007)
Minister Cheveldayoff has a B.A. Honours in Economics and Political Science and a Master of Business Administration. He has been a lifelong entrepreneur and prior to being elected in 2003, he worked with Western Economic Diversification. He is the MLA for Saskatoon Silver Springs.

Honourable Bill Boyd, Vice Chair
Minister of Energy and Resources and Minister Responsible for Intergovernmental Affairs
(Appointed December 6, 2007)
Minister Boyd operates a pedigreed seed farm and has been involved in the Saskatchewan political scene for nearly two decades. He was originally elected in 1991 and is the MLA for Kindersley.

Honourable Ken Krawetz, Member
Deputy Premier and Minister of Education
(Appointed December 6, 2007)
Minister Krawetz has a Bachelor of Education. He has been a teacher, a businessman, and President of the Saskatchewan School Trustee Association. He has served three terms as the MLA for Canora-Pelly.

CIC Structure and Executive

At year end of 2008, CIC had 67 employees in its five divisions: President's Office; Capital Pension and Benefits; Crown Sector Initiatives; Finance and Administration; and Human Resources, Policy and Governance.

CIC's Executive Committee

Ron Styles, President and CEO

Ron has a Master of Economics and 29 years of service with the Government of Saskatchewan. He has been at CIC since 2006. His previous positions include Deputy Minister of Finance, Deputy Minister of Highways, President of Saskatchewan Housing Corporation and President, SaskWater. Ron has also belonged to numerous professional associations and served on numerous boards.

Ron is responsible for the overall direction of CIC.

Blair Swystun, Vice President and Chief Financial Officer

Blair is a Chartered Financial Analyst and has a Master of Business Administration. He has 26 years of Government experience and has been at CIC since 1996. His public service career also included various positions at Saskatchewan Finance. Blair has sat on numerous boards and maintains memberships in several professional affiliations.

Blair's division provides analysis and recommendations to the CIC Board on CIC Crown corporation performance management and capital allocation plans, and on a wide range of Crown sector business issues. The division provides sector-wide financial reporting and forecasting, manages CIC's budget and financial transactions and cash & debt positions, and provides corporate administrative support. The division provides comprehensive information technology services including electronic data, e-mail, network and security services.

Doug Kosloski, Vice President, Human Resources, Policy and Governance, and General Counsel

Doug has a Bachelor of Laws, Bachelor of Commerce and Arts, and 14 years of service with the Government of Saskatchewan. Doug worked at Environment and Resource Management and practiced law before joining CIC in 1998 as Legal Counsel. He has sat on numerous boards and committees throughout his career.

Doug's division provides legal services to CIC, strategic advice, analysis and support on Human Resource and broad policy issues to the CIC Board and management, as well as corporate secretarial services to the Crown Boards including leading edge training and development of board members.

Iain Harry, Vice President Crown Sector Initiatives

Iain holds a Bachelor of Arts in Political Studies and has almost 20 years of experience in public policy and communications at the municipal, provincial and federal levels. He joined CIC in 2008. His previous positions include Chief of Staff to the Minister of Saskatchewan Education, a Director with Saskatchewan's Official Opposition and with Government Research and Communications at the House of Commons in Ottawa.

Iain's division supports CIC's mission to enhance the province's long-term economic growth and diversification with special focus on energy and the environment, as well as Crown sector involvement in intergovernmental initiatives.

Each of these four executives receive a comprehensive group benefits package and are eligible for an annual short-term incentive program, in addition to their base pay.

Other Executive Committee Members:

Mike Woods, Executive Director, Communications
Ken Klein, Executive Director, Capital Pension and Benefits
Deb Kachluba, Director, Human Resources

Additional information on Executive Compensation is available in the annual Payee Disclosure Report for CIC and its Subsidiary Crowns that is tabled with the Crown and Central Agencies Committee. The reports are available at http://www.cicorp.sk.ca/2008_reports.html

Executive compensation information is also filed with the Clerk of Executive Council and available upon request to the public.

The responsibilities of CIC management are to:

- serve as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made;
- develop policy on Crown corporation and investment matters;
- serve as the CIC Board's communications link with Crown boards and management;
- co-ordinate the implementation of policy within the Crown sector;
- manage CIC's operations;
- take responsibility for the preparation, reliability and integrity of CIC's financial statements; and
- monitor emerging issues in CIC's business environment.

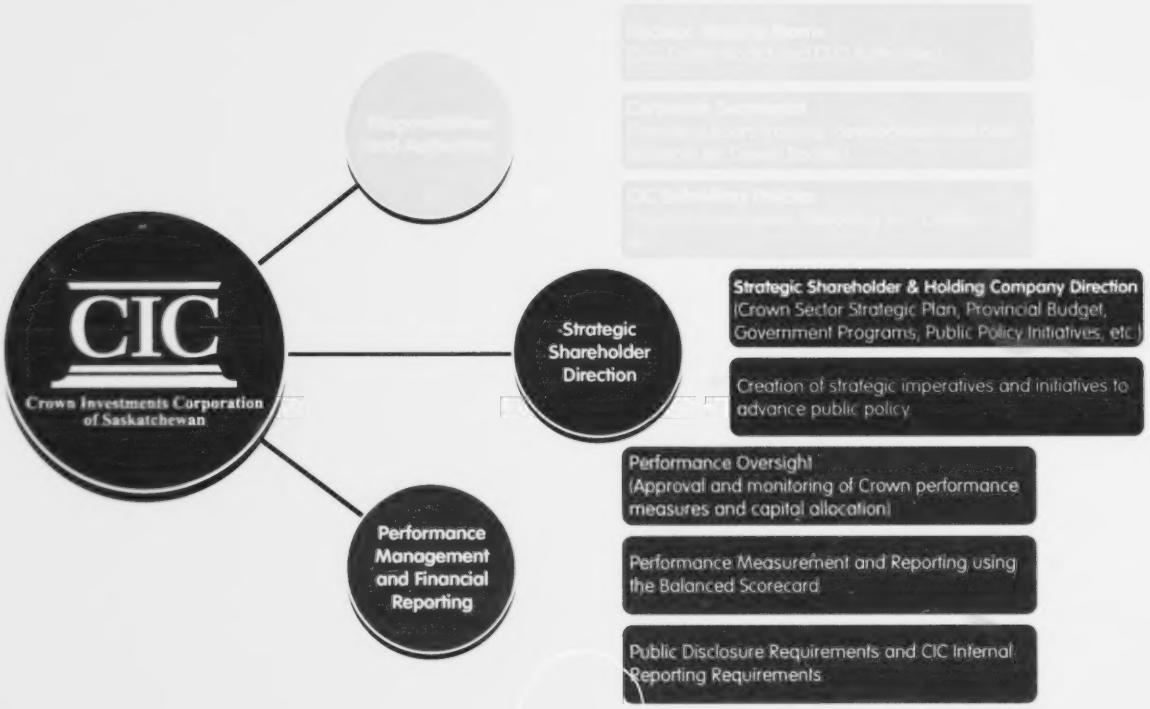
CIC's Role as the Holding Company

Crown Sector Governance

For the purposes of this report, governance describes the processes, structures and functions that CIC uses to direct and oversee the management of the Crown sector so it effectively fulfills its mandate. CIC oversees and manages a comprehensive framework designed to strengthen governance, performance and accountability of subsidiary Crowns, and to assist subsidiary Crown boards in discharging their responsibilities for overseeing and directing the management of the Crowns. CIC is committed to implementing governance, reporting and disclosure practices consistent with those of publicly-traded companies, where such practices can reasonably be applied in the public sector environment. CIC also provides governance for the Crown sector by providing strategic direction and performance management oversight, including quarterly financial and performance reporting to the CIC Board of Directors.

CIC's Crown Sector Oversight

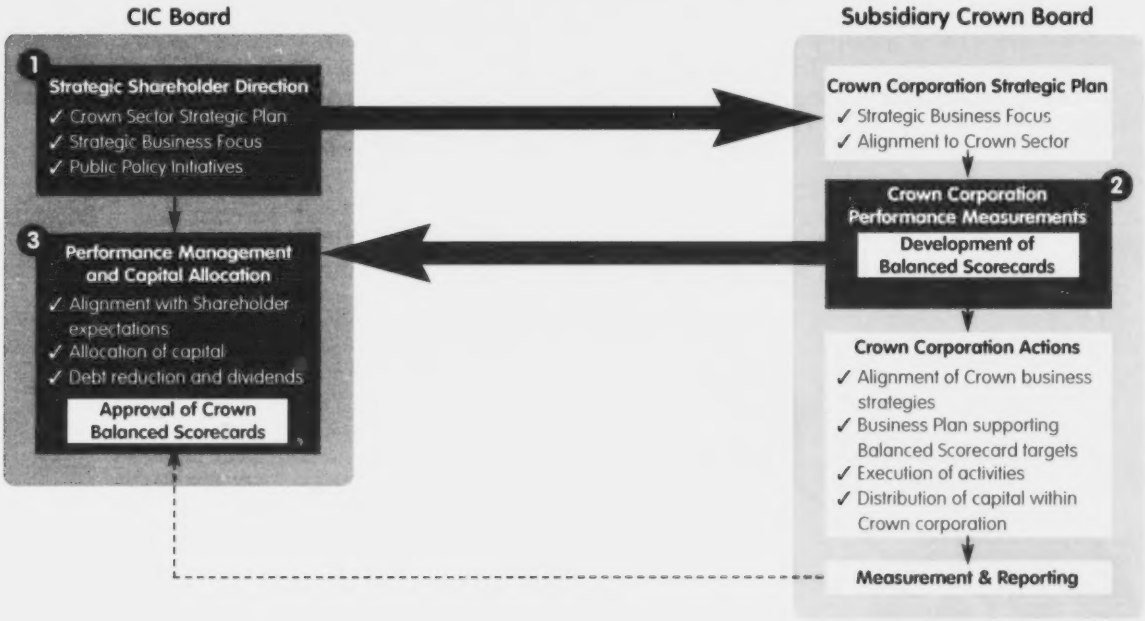
As part of the oversight responsibilities of its subsidiary Crown corporations, CIC oversees and manages a governance framework which includes the following elements:


CIC
Crown Investments Corporation of Saskatchewan
Strategic Shareholder Direction
Performance Management and Financial Reporting
Strategic Shareholder & Holding Company Direction
(Crown Sector Strategic Plan, Provincial Budget, Government Programs, Public Policy Initiatives, etc.)
Creation of strategic imperatives and initiatives to advance public policy
Performance Oversight
(Approval and monitoring of Crown performance measures and capital allocation)
Performance Measurement and Reporting using the Balanced Scorecard
Public Disclosure Requirements and CIC Internal Reporting Requirements

Strategic Direction and Performance Measurement in the Crown Sector

CIC communicates shareholder direction to its subsidiary Crown corporations and monitors their performance against targets and measures approved by the CIC Board. The Strategic and Performance Management Model depicted below demonstrates how strategic direction is relayed and performance is managed in the Crown sector.

CIC's Strategic and Performance Management Model


CIC Board
1
Strategic Shareholder Direction
✓ Crown Sector Strategic Plan
✓ Strategic Business Focus
✓ Public Policy Initiatives
3
Performance Management and Capital Allocation
✓ Alignment with Shareholder expectations
✓ Allocation of capital
✓ Debt reduction and dividends
Approval of Crown Balanced Scorecards
Subsidiary Crown Board
Crown Corporation Strategic Plan
✓ Strategic Business Focus
✓ Alignment to Crown Sector
2
Crown Corporation Performance Measurements
Development of Balanced Scorecards
Crown Corporation Actions
✓ Alignment of Crown business strategies
✓ Business Plan supporting Balanced Scorecard targets
✓ Execution of activities
✓ Distribution of capital within Crown corporation
Measurement & Reporting

1 Strategic Shareholder View

The first stage in the process is the development of the Crown Sector Strategic Plan, led by CIC. The Crown Sector Strategic Plan articulates shareholder expectations and provides medium to long-term direction to the Crown sector. It also provides a guiding vision statement, mission and common business values along with outlining the strategic planning linkages and processes between the holding company and the subsidiary Crown corporations.

3 Performance Management Approval and Reporting

The third stage is approval of each subsidiary Crown's Performance Management Plan by the holding company. Every year, the CIC Board reviews and approves each Crown's Performance Management Plan for the upcoming year. In addition, these plans are monitored throughout the year, with quarterly reviews and reports submitted to the CIC Board.

In addition to approving the performance objectives, the CIC Board determines the capital allocation among Crown corporations for reinvestment, debt reduction and dividends.

2 Subsidiary Crown Corporation

The second stage is the development of the subsidiary Crown's Corporate Strategic Plan, demonstrating alignment to the shareholder direction contained within the Crown Sector Strategic Plan. Each subsidiary Crown then prepares a comprehensive Performance Management Plan. This includes a Balanced Scorecard with measures and targets that link to the broad strategic directions established in the Crown Sector Strategic Plan and their Corporate Strategic Plan.

The Crown corporations construct their balanced scorecards around four generic perspectives: Public Purpose, Customer & Stakeholder, Innovation & Learning, and Financial. The Crowns may customize their Balanced Scorecards according to their unique needs and circumstances, as long as they reflect the general intent of those four core perspectives.

Governance Initiatives in the Crown Sector

CIC works with its subsidiary Crown corporation boards of directors to help them adopt and implement high standards of corporate governance. CIC delivers centralized corporate secretarial and governance advisory services to the Crown boards, supports the boards in assessing their performance and implements programs to enhance their skill sets.

Accountability and Transparency

CIC has worked with the Crown Board Audit & Finance Committee Chairs Forum to monitor developments in audit committee functioning and financial reporting. In 2008, the Forum focused on development of a CEO/CFO Certification Policy for the Crown sector, and received detailed information on International Financial Reporting Standards and the work plan to implement them.

Communication of Shareholder Expectations

Open, timely and reliable communication is critical to effective governance. In 2008, CIC and its subsidiary Crown corporations shared information in a variety of ways, including: quarterly meetings between the chairs of the Crown boards and senior CIC officials; regular reports from the Crown board chairs to the CIC Board highlighting major Crown board activities, corporate initiatives and significant corporate risks; and meetings between the CIC President & CEO and the Presidents of the subsidiary Crowns.

Board Development and "Best Practices"

CIC sponsors professional development opportunities for directors of the subsidiary Crown boards to enhance their corporate governance knowledge and maintain the necessary skills to provide effective oversight of corporate activities. In 2008, CIC organized sessions related to CIC's Executive Compensation Framework, best practices in setting performance metrics, effective performance management tools, essential skills for new directors, and financial literacy. The sessions were supported by quarterly distribution of reading materials on topical governance issues .

Performance Measurement using the Balanced Scorecard

CIC utilizes a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format, very similar to that of a report card. The Balanced Scorecard enables CIC to facilitate strategic execution, accelerate continuous performance improvement while creating greater internal and external accountability and transparency. The Balanced Scorecard is therefore a means to articulate corporate strategy, motivate the organization to achieve desired targets and to enable the executive and the shareholder to monitor these results. In terms of reporting, CIC provides its Board with quarterly progress reports on CIC's performance relative to targets in addition to the public annual reporting on past year results and future year forecasts.

CIC's Dual Scorecards

In 2007, CIC adopted a dual scorecard approach to its performance measurement and reporting. There is one Balanced Scorecard with four perspectives representing CIC's role in the oversight of the Crown sector as the holding company on behalf of the shareholder. The second is a Balanced Scorecard that represents the role of CIC as a Crown corporation providing administration of the Government's initiatives and programs as well as its internal operations as a corporation. This internal scorecard also contains four perspectives.

Role of the Holding Company and Crown Sector Measures

CIC, in its oversight role as the holding company, has developed a "Sector Scorecard" to reflect the articulation of sector strategy and the measurement of CIC's role in providing this oversight on behalf of the shareholder. The scorecard therefore reflects the strategies, measures and targets related to the role of CIC; rather than an assessment of the subsidiary Crown corporations that make up the Crown sector. CIC's Sector Scorecard contains four perspectives, namely: Leadership, Financial, Shareholder and Public Policy, which are defined as follows:

CIC'S Sector Balanced Scorecard Perspectives

Leadership
This perspective highlights CIC's value in leading Saskatchewan's Crown sector through the articulation of the shareholder's business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their boards of directors.

Financial
This perspective recognizes CIC's role in optimizing the Crown sector's financial performance and accountability. CIC does this by ensuring a balance exists between the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to continuing efforts to make the Crown sector more open and accountable, and to provide a greater degree of public transparency in the results of the Crown sector's operations.

Shareholder
This perspective challenges CIC to maintain excellent relationships with its shareholder and to understand and assess emerging issues by providing professional and timely advice and guidance.

Public Policy
This perspective captures CIC's role in implementing initiatives to support the Government's public purpose objectives for the Crown sector.

Sector Oversight - Balanced Scorecard

The colored indicators represent the relative assessment of the annual result against the performance target. In cases where a variance requires explanation, a variance analysis is provided by management.

Scorecard Performance Indicators

● Above Target ○ Achieved Target ○ Slightly Off Target ● Below Target ○ Not Reported

Leadership Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
1. Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder.	CIC Board: Performance Index	7.6 - 8.2	○7.0	Redesign of measurement instrument for 2008.
2. Provide strategic Human Resource leadership to the Crowns.	CIC Board: Performance Index	7.4 – 8.0	○7.0	Redesign of measurement instrument for 2008.
	Crown Executive: Performance Index	5.7 – 6.3	○6.4	
3. Lead best practices in Governance in the Crown sector.	Governance Rating by the Conference Board of Canada	Top 25%	○Review deferred to 2009	
	Performance Index out of 10, with 10 being the best.			

Shareholder Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
4. Provide expertise and guidance to support the CIC Board.	CIC Board: Performance Index	8.0 - 8.6	○8.1	
5. Advise and consult with Ministries and Crown corporations on Crown sector issues.	CIC Board: Performance Index	TBD	○Under review	Measure was not developed in the redesign of measurement instrument.
	Performance Index out of 10, with 10 being the best.			

Financial Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
6. Provide an appropriate return to the people of Saskatchewan.	CIC dividend to the General Revenue Fund	$550 M	○ $365 M	$185 M deferred to 2009.
7. Ensure that Crown corporations are financially healthy and support the Government's direction for the Crown sector.	Crowns are financially sustainable and financially flexible:	29.8% Cash Flow ROE	○ 16.5%	Higher earnings and lower dividend than projected.
		Consolidated Debt-Equity Ratio: 51%[1]	● 44.6%	
		Sustainable dividend level generally not more than 90% of earnings	○ Less than 90%	
8. Advance Crown corporation reporting and disclosure against best practice standards.	Review of reporting and disclosure by the Conference Board of Canada	Non survey year	○ n/a	Generally survey is conducted on a bi-annual basis.

[1]Revised 2008 target does not adjust for cash and cash equivalents at 2008 year end

Public Policy Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
9. Workforce renewal and sustainability.	Gradworks Program:			
	• Interns	75	○ 48	Delayed intake pending approved continuation of the Gradworks program.
	• Crown Retention	70%	○ 69.22%	
	• Retention in Saskatchewan	85%	○ 84.9%	
	Co-op Program	170	○ 168	
	Crown Summer Hiring	315	○ 316	
	Representative Workforce:			
	• Women	TBD	○ No new sector targets established.	
	• Women in Management	TBD		
	• Aboriginal	TBD		
	• Persons with Disabilities	TBD		
	• Visible Minorities	TBD		
	Youth Employment in the Crowns	14.4%	○ 13.5%	Natural aging of employees out of defined youth category.
10. Advance and support economic development in Saskatchewan.	% of goods and services sourced from Saskatchewan suppliers	≥ 75%	○ 66.2%	
	% of goods and services sourced from Aboriginal suppliers	To be developed	○ TBD	
11. Support the Government's environmental agenda.	Achievement of Crown specific environmental scorecard targets	100%	○ On track	

CIC as a Crown Corporation and Internal Corporate Measures

CIC, a Crown corporation, has developed a "Corporate Scorecard" or internal scorecard to reflect and measure CIC's role as a Crown corporation in fulfilling the Government's mandate and its efficiencies of operation. The scorecard reflects CIC's strategies, measures and targets related to advancing policy, enhancing operational efficiencies and greater accountability and transparency. CIC's Internal Corporate Scorecard contains four perspectives, namely:

CIC'S Corporate Balanced Scorecard Perspectives

Public Purpose
This perspective highlights CIC's actions in support of Government's public policy objectives for the Crown sector. CIC will play a lead role in the incubation of programs for adoption into the Crown sector, or may take a centralized role in the development and administration of such programs on behalf of the shareholder.

Accountability
This perspective recognizes the commitment by CIC to report on the operations of CIC and its subsidiary Crowns and facilitate accountability and transparency. CIC continues to advance its reporting practices so that the information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable, and that the information demonstrates the efficient and effective use of resources.

Internal Process
This perspective challenges the corporation to develop and deploy those tools that enable the corporation to operate in an efficient manner and achieve its goals. Beginning with the communications necessary to disseminate strategic corporate direction and priorities, this perspective also ensures that effective policies and procedures are in place to guide the corporation. Strategic deployment of information technology and its reliability is a key element of the internal process perspective.

People
This perspective focuses on developing internal employee and organizational strengths including creativity, application of skills, acquisition of specific expertise, continuous personal improvement, and decision-making capabilities. It also includes the development of cultural awareness, a goal of having a workforce that is representative of Saskatchewan demographics, and the encouragement of employees to participate in their communities through volunteerism.

CIC Internal Corporate - Balanced Scorecard

The colored indicators represent the relative assessment of the annual result against the performance target. In cases where a variance requires explanation, a variance analysis is provided by management.

Scorecard Performance Indicators

● Above Target ○ Achieved Target ○ Slightly Off Target ● Below Target ○ Not Reported

Public Purpose Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
1. Strategic investments support economic development in Saskatchewan.	Innovation: Investment Leverage Ratio (External partner investment in relation to CIC investment)	2:1	○ n/a – no new investments	
2. Support Government's environmental agenda.	Percentage of electricity requirement purchased as "Green" power	≥ 20%	○ 21.8%	
	CIC's Environmental Stewardship Program: • CO2 Offsets Purchased	To be carbon neutral for air and vehicle travel	○ Aggregating requirements of carbon footprint	Evaluating options for offsets under a regulated environment.

Accountability Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
3. Timely and effective reporting of corporate results.	Meet requirements for financial and performance reporting	100% of public reports released on time	○ Completed on time	
4. Efficient use of corporate resources.	Efficiency ratio	New measure to be developed	○ Q4 target	Deferred, alternate measures under review.
5. Advances CIC's reporting and disclosure against best practice standards.	Conference Board of Canada rating against peers.	Non survey year	○ n/a	Generally survey is conducted on a bi-annual basis.

Internal Process Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
6. Effective communication of corporate strategic priorities and resource allocation.	Employee opinion survey	> 7.0	○ Deferred to 2009	
7. A professional, ethical and equitable corporate culture.	Employee opinion survey	> 6.6	○ Deferred to 2009	
8. Efficient, reliable and secure IT infrastructure and systems software.	% uptime of core network applications	≥ 98%	○ 99.68%	
	% uptime of specialized applications	≥ 96%	○ 99.68%	

People Perspective

Strategic Objectives	Performance Measures	2008 Targets	2008 Results	Variance Analysis
9. Promote employee and corporate success.	Employee satisfaction	> 80%	○ Deferred to Spring 2009	
	Training $ as a percentage of payroll	Up to 3%	○ 2.18	
	Wellness Program: average number of casual sick days per year	< 4 days	○ 4.21	
10. Ensure corporate workforce renewal and sustainability.	Ratio of Hires in diversity groups	1:3	○ 1:7	Ratio of diversity candidates in applicant pool was 1:18.
	Retention of diversity workforce	> 80%	● 88%	
	Opportunities for youth at CIC:			Hiring deferred for 2008 due to reorganization and realignment of workloads.
	• Coop Student Program	3 Students	○ None	
	• Gradworks Interns	5 Interns	○ None	
	Representative Workforce:			
	• Women (Management)	≥ 47%	○ 45.2%	For CIC, women in under-represented positions are the same group as women in senior management. Placements in senior management positions tend to be made by appointment.
	• Women (Under-represented)	20%	○ 0%	
	• Women in Senior Management	20%	○ 0%	
	• Aboriginal	12.63%	○ 9.2%	
	• Persons with Disabilities	8.16%	○ 6.3%	
	Visible Minorities	≥ 5.6%	● 7.9%	
	Youth Employment	10.3%	● 14.29%	
11. CIC and its employees actively support the community.	Corporate Sponsorship	Up to 2% of budget	○ 5.3% (0.8%)	0.8% is attributed to usual corporate social responsibility; the remainder is to a directed sponsorship.

Balanced Scorecards and Targets

Revision and Restructure of CIC' s Balanced Scorecard

Starting in 2009, CIC will transition from its previous dual scorecard system, representing Crown sector oversight and internal operations, to a single scorecard. The new single scorecard will continue to address CIC's role in Crown sector oversight and internal operations, but will do so as perspectives within the new scorecard, rather than a scorecard itself. In addition, and to further align the scorecard with CIC's mandate, an additional perspective related to strategic shareholder initiatives will be added.

CIC's new scorecard contains three perspectives namely; Crown Sector Oversight, Strategic Shareholder Initiatives and CIC Internal Operations which are defined as follows:

Crown Sector Oversight

This perspective highlights CIC's value in leading Saskatchewan's Crown sector through the articulation of the shareholder's business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

CIC ensures a balance exists between the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to continuing efforts to make the Crown sector more open and accountable, and to provide a greater degree of public transparency in the results of the Crown sector's operations.

Strategic Shareholder Initiatives

This perspective challenges CIC to understand and assess emerging issues by providing professional and timely advice and guidance to the shareholder. It captures CIC's role in implementing those initiatives to support the Government's strategic objectives for the Crown sector.

CIC Internal Operations

This perspective challenges the corporation to develop and deploy those tools that enable the corporation to operate in an efficient manner and achieve its goals.

It also recognizes the commitment by CIC to report on the operations of CIC and its subsidiary Crowns and to facilitate accountability and transparency. CIC continues to advance its reporting practices so that the information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable; and that the information demonstrates the efficient and effective use of resources.

Crown Sector Oversight

Corporate Strategic Objective	Performance Measure	2009 Target
1. Effective oversight of the Province's commercial Crown corporations on behalf of the shareholder.	CIC Board Performance Index	≥ 3.5
2. Lead best practices in governance in the Crown sector.	Governance Rating by the Conference Board of Canada	Top quartile (25%)
3. Provide an appropriate return to the people of Saskatchewan.	CIC dividend and equity repayments to the General Revenue Fund	*$295 M Dividend* $70 M Equity Repayment
4. Ensure that the Crown sector is financially sustainable and financially flexible.	Consolidated ROE Target	8%
	Consolidated Debt Equity Ratio	47.5%
	Sustainable Dividend (Generally <90 % of Earnings)	< 90% of Crown earnings
5. Provide expertise and guidance to support the CIC Board.	CIC Board Performance Index	≥ 4.1
6. Advance Crown corporation reporting and disclosure against best practice standards.	Review of reporting and disclosure by the Conference Board of Canada	Rating of "B" or greater

CIC Board performance index is out of 5, with 5 being the best

Strategic Shareholder Initiatives

Corporate Strategic Objective	Performance Measure	2009 Target
7. Investment in infrastructure to sustain and support economic development in Saskatchewan.	Goods and services sourced from Saskatchewan suppliers for Crown infrastructure projects	>75%
8. Crown corporations will support the Government's "Go Green" agenda and reduce GHG levels towards the Government's targets.	Public awareness of Go Green program	To be developed by 1Q09
	New power generation with near zero GHG emissions	100% of new generation is near zero emission
	Reduction in Crown Sector GHG Emissions	◉ Track GHG emissions from Crown sector ◉ Offset 50% of Crown sector emissions (not including SaskPower)
9. CIC and the Crown sector will pursue joint ventures (JVs) with the private sector in Saskatchewan in relation to Crown mandates and/or other intergovernmental initiatives.	Use of Joint Ventures in Crown sector infrastructure and/or service delivery projects	10% of Crown sector infrastructure and/or service delivery expenditures.
10. CIC will facilitate implementation of provincially legislated or mandated initiatives and other programs within the Crown sector.	Implementation of Administrative Records Management System (ARMS) and Operational Records Management System (ORS)	Assess current status
11. Provide strategic human resource advice and leadership to the Crowns.	Labour relations climate management: ◉ Essential Services ◉ Settlements	◉ Completion of Essential Service Agreements ◉ Commencement of bargaining
	Competitive compensation frameworks	

CIC Internal Operations

Corporate Strategic Objective	Performance Measure	2009 Target
12. Timely and effective reporting of corporate results.	Meet financial and performance reporting requirements	Quarterly and Annual Reports released on time
13. Advances CIC's reporting and disclosure against best practices.	Conference Board of Canada rating against peers	Rating of "A"
14. Support the Government's environmental agenda.	% of "Green" power purchased	≥ 20%
	CO2 offsets purchased	Accumulate 2008 & 2009 requirement for purchase under regulated program
15. Prudent management and control of corporate resources	Operating expenditures	Within approved budget
	Capital expenditures	Within approved budget
	Staff levels	Within approved budget
16. Promote employee and corporate success.	Employee satisfaction	≥ 85%
	Training % of payroll	Up to 3%
	Average # sick days per year	< 4 days
	Diversity retention	> 80%
	Youth Opportunities: ◉ Coop Program ◉ Gradworks	 3 Students 2 Interns
	Youth Employment	12%

A theme within the Crown sector in 2008 that will continue into the future is growth. The thriving provincial economy and increasing population led to substantially increased demand for Crown corporation services. There were 36,000 more registered vehicles in the province, 5,000 more SaskEnergy customers and 7,500 more SaskPower customers at the end of 2008 compared to the previous year end.

To keep pace, changes are required within the Crown sector, such as investing in infrastructure and expanding service availability to meet the increasing demands. The Crowns are taking steps in that direction. Next year, SaskPower will make the single largest investment ever in the province's electrical system, to begin revitalizing its infrastructure. SaskTel is preparing for the next generation networks, 4G wireless and increasing mobile access to information, communication and entertainment.

SaskEnergy, is running new pipe to collect flare gas and has participated in the expansion of a gas processing plant. SGI implemented the first phase of a new system to improve customer service with the second roll out to come in 2009.

Not only did the Crowns rise to the occasion and meet the increased demands of customers, they also met the commitment to the lowest rates possible. SaskEnergy provided the lowest commodity rates among other major utilities across Canada. SGI's affordable rates provided a substantial competitive advantage in the province, as well.

Rate Review Process

The Saskatchewan Rate Review Panel (SRRP or the Panel) was established in 2000 as an advisory body to Government. The Panel's role is to conduct reviews of rate change proposals from SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). The Panel considers the interests of the customer, the Crown, and the public, then provides an opinion to the Minister of Crown Corporations on the fairness and reasonableness of the proposed changes. The Provincial Government makes the final decision on rate change requests.

The members of the Panel during 2008 were: Alison Renny, Chair; Bill Barzeele, Robert Bundon, Louis Gardiner, Steve Kemp, Linda Thauberger and Kathy Weber.

For more information, see SRRP's web site at www.saskratereview.com.

Diversity and Building for the Future

Diversity in the Crown sector is essential to more accurately reflect our population and to meet the demand for skilled employees. Three Crowns were recognized for excellence in diversity by Maclean's magazine. Information Services Corporation (ISC), SGI and SaskPower received the award in recognition of their exceptional workplace diversity and inclusiveness programs. In addition, CIC is one of six Crowns that were among Saskatchewan's Top 15 Employers for 2009, as selected by the editors of Canada's Top 100 Employers. The Crowns' workforces reflect our communities and are recognized as exceptional places to work.

CIC has two main programs that support the goals of diversity, succession planning and building for the future, through hiring and retaining more youth and Aboriginal people in its subsidiary Crown corporations. They are:

- Gradworks provides 12-month internships in the Crowns for recent post-secondary graduates who have little or no work experience. In 2008, there were 48 people who started their Gradworks internships in the Crowns. From the program's inception in 2004 to the end of 2008, there had been 268 internships. Nearly 92 per cent of those who have completed their internships have stayed in Saskatchewan, with almost 59 per cent employed in the Crowns and 33 per cent employed in other companies.

- The CIC Aboriginal Bursary Program provides financial assistance for qualifying students at the University of Regina and First Nations University of Canada. Under the program, students can receive $2,500 per semester or $5,000 per full academic year. In 2008, there were 33 bursaries awarded for the winter semester and 53 for the fall semester. From the program's inception in 2004 to the end of 2008, 414 bursaries had been awarded, with some students receiving multiple bursaries.

Highlights of 2008

- **SaskTel** announced its new Rural Infrastructure Program, a three-year $129 million program. Upon completion, every business owner, every child in school, every senior wanting to improve their education will be able to access high speed internet regardless of where they live in this province.

- **STC** opened its new passenger and express terminal in Regina in November 2008 and expanded services to several northern communities, the most significant service expansion in 30 years.
- All coaches fueling in Regina and Saskatoon began operating on a two per cent canola biodiesel blend.

- **SaskPower** experienced a record peak load of 3,194 megawatts and set records with new customer connects: 16,162 new service applications and $103 million spent on new customer connects.
- SaskPower finalized an agreement with Red Lily Wind Power LP to purchase electricity from a facility that will be constructed northwest of Moosomin and operational in 2011.
- SaskPower initiated plans to add three new generation plants at Ermine, Queen Elizabeth, and near North Battleford.

- **SaskEnergy** experienced significant customer growth in 2008, adding over 6,000 new customers, including approximately 5,700 new services installed in 490 communities, resorts, First Nations and rural areas.
- Kisbey Natural Gas Processing Plant Expansion – BESCO, a SaskEnergy subsidiary, received approval in 2008 to proceed with an expansion to the Kisbey Natural Gas Processing Plant. Once this expansion is completed by the end of 2009, the plant will allow BESCO to significantly increase its capabilities to capture natural gas that is normally flared into the atmosphere during oil production, reducing CO2 currently emitted into the atmosphere.

- **SGI** recorded the largest one-year increase in registered vehicles in the province in over 20 years.
- The Auto Fund system redevelopment project continued with a release for a new vehicle standards and inspection management system, and a major release for the driver's licence system. The project remains on time and on budget for completion in 2010.

- **SGI CANADA** recorded its third most profitable year ever in 2008.

- **Investment Saskatchewan** reported earnings of $691.0 M in 2008 compared to $11.5 M in 2007. The significant increase was attributable to the sale of its interest in Saskferco which provided proceeds of $816.9M and a gain on sale of $679.8 M.

- **Information Services Corporation** maintained consistent turnaround times, reduced two fees and broadened its services to include the province's Vital Statistics Registry.

- **SaskWater** delivered a record 14.65 billion litres of non-potable water. The volume of non-potable water supplied by SaskWater increased by 6.78%.

- **Saskatchewan Gaming Corporation** was designated a CIC Crown corporation in April 2008. MediaCorps named SGC one of Canada's Top 100 Employers for the second year in a row and a Top 10 Employer in Saskatchewan for the third year in a row.
- Guest traffic increased at both Casino Regina and Casino Moose Jaw in 2008. Together, the casinos entertained more than 3.4 million guests as compared to 2.9 million in 2007

Environmental Sustainability

CIC and its subsidiary Crowns continue to demonstrate environmental leadership through a variety of initiatives and programs as part of the Government's commitment to help Saskatchewan people "Go Green". These programs are designed to enhance environmental sustainability in the sector and the province in general. All Crowns, even those that don't produce significant greenhouse gas emissions, are required to have performance measures in their balanced scorecards as part of the Crown Sector Performance Management System. The measures are monitored and reported on annually. The Crowns have also implemented internal environmental initiatives to promote recycling, paper reduction, and the use of environmentally friendly office products.

Crown Sector Environmental Initiatives

The Crown sector is using multiple channels to ensure Saskatchewan people know what energy efficiency programs are available to them. Programs available through the Crowns range from loans for energy efficient furnaces to home improvement programs and programs for commercial and municipal facilities, including:

SaskPower

- EnergyStar Loan Program (furnace),
- Residential lighting program
- Energy Management Manual for Arena/Rink Operators
- Geo Exchange and Renewables Program

SaskEnergy

- Programmable Thermostat Rebate
- EnerGuide for Houses
- Energy Efficiency Rebate for New Homes
- Commercial Boiler Program

SaskWater

- EnerGuide Toilet Replacement Program
- Targeted Urban Water Conservation Program

Corporate Social Responsibility

CIC and its subsidiary Crowns pride themselves on being good "corporate citizens," supporting worthwhile causes that are important to Saskatchewan people and investing in communities. The CIC sponsorships policy is designed to reflect the corporation's priorities and to improve accountability. The policy is posted on CIC's web site at www.cicorp.sk.ca/cic/sponsorships.html

During 2008, CIC sponsored numerous organizations and events in Saskatchewan communities, for a total of $1,173,794. The most significant sponsorship was to:

- One Life Makes a Difference Foundation, $1 million to help at-risk youth obtain a university education.

Others included:

- Skills Canada Saskatchewan, $10,000 to promote skills trades and technologies as a career choice for Saskatchewan youth;
- Ehrlo Sport Venture, $7,500 for inner-city youth and families to access recreation and sports such as basketball, hockey, football and soccer;
- Regina Adult Learning Centre, $3,000 to support the development of employment, social and personal skills for young adults;
- Children's Health and Hospital Foundation, $25,000 to support raising awareness and funds for pediatric medical research, equipment, patient care services, and the upcoming provincial Children's Hospital.

CIC employees and the corporation also teamed up again to support the Regina United Way. Employees are also encouraged to give back to the province by volunteering time for other worthwhile causes.

Crown Investments Corporation of Saskatchewan

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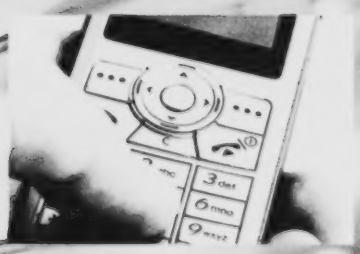


Preface

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2008 financial results should be read in conjunction with the audited consolidated and non-consolidated financial statements.

Producing two different views of CIC's operations and results, with consolidated and non-consolidated financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2008 results, discussions also provide detailed information regarding our performance relative to our business plan, and what this means for the Crown sector in the future.

Forward-Looking Information

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook," "expect," "anticipate," "project," "continue," or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

UNDERSTANDING CIC'S FINANCIAL STATEMENTS

CIC prepares two sets of financial statements, its consolidated financial statements and non-consolidated financial statements.

CIC Consolidated Financial Statements

These statements illustrate CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, Investment Saskatchewan Inc., SGC, STC, SaskWater, SOCO, SGGF MC, and SDFC);
- Financial results for CIC's wholly-owned subsidiaries, (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and M[illegible]und Inc., and CIC Apex Equity Holdco Ltd.);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC Non-Consolidated Financial Statements

Non-consolidated earnings represent CIC's earnings as the shareholder of the Saskatchewan Commercial Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations, and public policy expenditures. These financial statements include:

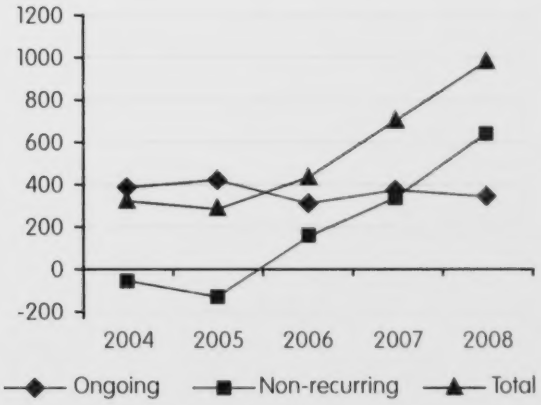
- Dividends from subsidiary Crown corporations;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

CIC'S 2008 FINANCIAL HIGHLIGHTS

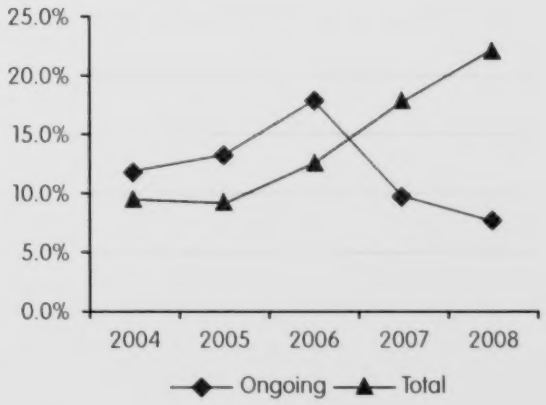
(millions of dollars)	2008	2007	2006	2005	2004
Consolidated					
Consolidated Earnings	**$ 977.0**	$ 696.3	$ 441.1	$ 306.7	$ 312.1
Total Consolidated Assets	**10,589.6**	9,630.9	9,661.1	9,248.4	8,139.9
Consolidated Debt[1]	**4,035.7**	3,858.0	3,783.6	3,860.2	3,537.4
Dividend to the GRF	**365.0**	200.0	167.0	221.0	268.0
Non-Consolidated					
Dividend Revenue	**$ 773.4**	$ 221.1	$ 342.7	$ 299.9	$ 347.6
Non-Consolidated Earnings	**749.3**	576.9	322.3	248.1	275.0
Ratios					
Consolidated Return on Equity	**22.2%**	17.8%	12.6%	9.2%	9.6%
Non-Consolidated Cash Return on Equity	**16.5%**	10.5%	10.2%	14.3%	17.6%

[1] Consolidated debt includes long-term debt, long-term debt due within one year, and notes payable.

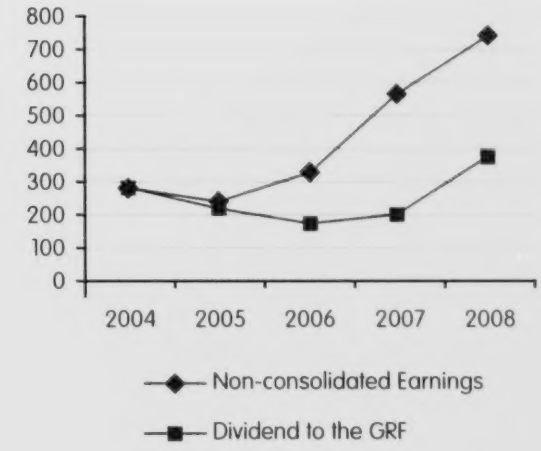
Consolidated Earnings



Consolidated Return on Equity



Non-Consolidated Earnings and Dividends to the GRF



CIC (non-consolidated) posted strong results in 2008. Earnings of $749.3 million allowed CIC to declare a dividend to the GRF of $365.0 million. CIC's (non-consolidated) strong cash position also allowed it to repay $130.0 million in equity advances to the GRF.

A Balanced Approach to Shareholder Return

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives.
- CIC declared a dividend of $365.0 million to the GRF, and repaid $130.0 million in equity advances.
- CIC's consolidated return on equity was 22.2 per cent and its non-consolidated cash return on equity was 16.5 per cent in 2008.
- These returns were accomplished while supporting the following public policy initiatives:
  - Saskatchewan EnerGuide for Houses;
  - FleetNet, a provincial emergency communications network;
  - Gradworks Inc., an internship program for the Crown sector;
  - STC transportation routes in the province;
  - Construction of STC's new head office and bus terminal in Regina;
  - CIC Economic Holdco Ltd., a joint venture interest in the Saskatchewan Entrepreneurial Fund Joint Venture, which focuses on expansion of the small business sector;
  - SaskPower carbon capture and storage demonstration projects;
  - First Nations and Métis Fund Inc., a venture capital fund focusing on the aboriginal small business sector; and
  - CIC Apex Equity Holdco Ltd., a joint venture interest in Apex Investment Limited Partnership, which focuses on small and medium sized business sectors.

Financial Sustainability

- CIC monitors the financial resources of the Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the Crown sector is maintained for the future. This includes important functions such as:
  - Forecasting available cash flows over the planning horizon for dividend payments to the GRF;
  - Ensuring Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure; and
  - Examining capital structures of Crown corporations (generally consisting of debt and equity) to maintain financial health.
- All decisions that impact financial resources, such as dividends from the Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the Crown sector.
- During 2008, CIC's allocation of financial resources included the following:
  - Support of the above noted public policy initiatives;
  - Declaration of a dividend to the GRF of $365.0 million; and
  - Approval of capital spending plans of subsidiary Crown corporations.

Enhancing Accountability

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for the Crown sector, available to the public via CIC's website;
  - Disclosure of budget information in the Government's summary financial plan;
  - Annual publication of CIC's non-consolidated financial statements to report on CIC as a holding company;
  - Within the annual reports, comparisons of Crown sector results to business plan targets;
  - Providing Internal Audit services to certain CIC subsidiary Crown Corporations; and
  - Developing policies and practices in support of CEO/CFO certification of internal controls over financial reporting to be implemented by December 31, 2009.
- CIC continuously evaluates new standards for financial reporting and corporate governance.

MANAGING CAPITAL RESOURCES IN THE CROWN SECTOR

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy; and
- **Debt reduction** to support the financial flexibility of CIC's operations.

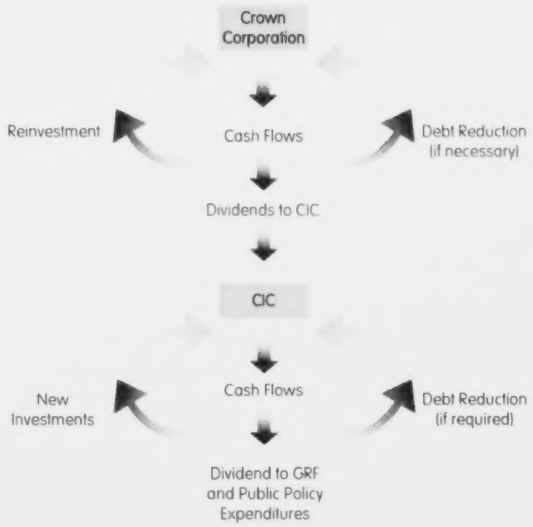
The first policy, the Subsidiary Dividend Policy, focuses on managing capital resources to support the investment needs and business viability of the various business segments. The second policy, the CIC Dividend Policy, ensures that the investments provide a return to the Saskatchewan stakeholders in support of programs paid for from the GRF.

Subsidiary Dividend Policy

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.

CIC Dividend Policy

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, debt reduction, and dividends to the GRF. CIC, as the holding company, currently does not have any debt. Therefore, cash is used for reinvestment and to pay dividends to the GRF. As well, CIC uses funds to support public policy initiatives.



In 2008, CIC allocated $561.7 million of capital as follows:

Reinvestment and Public Policy Expenditures:

- $30.5 million in grant funding provided to STC, SaskEnergy, SaskTel, SaskPower, Gradworks Inc., and SaskWater.
- $29.8 million in equity advances to SGC.
- $6.4 million investment in CIC Economic Holdco Ltd. and CIC Apex Equity Holdco Ltd.

Dividends and Equity Repayments:

- CIC declared a dividend to the GRF in 2008 of $365.0 million, and repaid $130.0 million in equity advances.

Debt Reduction:

- No funds were used for debt repayment as CIC (non-consolidated) does not carry debt.

CIC's ability to pay dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed income since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

Capital Structures of Commercial Crown Corporations

The following table summarizes the target capital structure of CIC's Crown corporations that declared dividends to CIC in 2008.

	Capital Structure Measure	Capital Structure Target	2008 Actual Capital Structure	2008 Dividend Payout Rate
SaskPower	Debt Ratio	60.0%	60.7%	50%
SaskTel	Debt Ratio	45.0%	27.3%	65%
SaskEnergy	Debt Ratio	65.0%	66.5%	80%
SGI[1]	MCT	316.0%	228.0%	65%
Investment Saskatchewan	Self Supporting Debt	At Target	At Target	79%
Information Services Corporation	Debt Ratio	40.0%	39.3%	90%
SGC	Debt Ratio	50.0%	45.8%	80%

[1] Minimum Capital Test (MCT) is an indicator of financial flexibility used in the insurance industry.

Liquidity

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

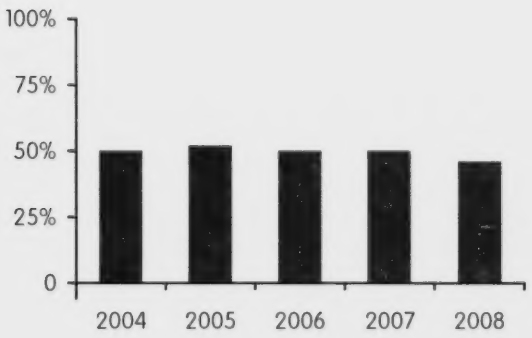
Province of Saskatchewan Credit Ratings	
Moody's Investor Service (Moody's)	Aa1
Standard & Poor's (S&P)	AA+
Dominion Bond Rating Service (DBRS)	AA (low)

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decreases; thereby reducing the costs of borrowing. During 2008, Moody's and DBRS confirmed the Province's credit rating; S&P upgraded the Province's credit rating to AA+ from AA.

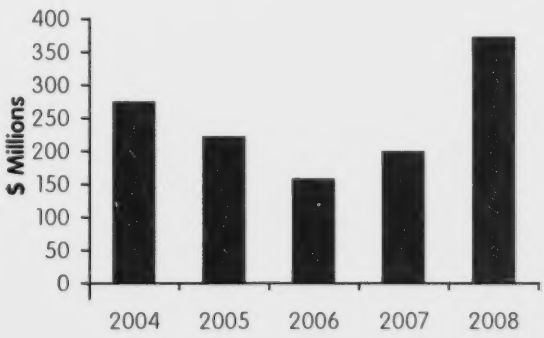
Financial Health and Dividends to the Province

In 2008, CIC provided a dividend of $365.0 million.

Consolidated Debt Ratio



Dividends Declared to the GRF



Crown Investments Corporation of Saskatchewan

CIC CONSOLIDATED

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ANALYSIS OF FINANCIAL RESULTS

The following analysis of CIC's consolidated 2008 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. CIC's consolidated financial statements are prepared in accordance with GAAP and, as such, consolidate the results of all of CIC's subsidiary corporations.

COMPARISON OF 2008 RESULTS WITH 2007 RESULTS

Net earnings for the year were $977.0 million (2007 - $696.3 million). Net earnings from ongoing operations before provision for environmental remediation liabilities, income taxes, non-recurring items and discontinued operations were $339.9 million (2007 - $381.6 million).

Consolidated Earnings Comparison

(millions of dollars)	2008	2007	2006	2005	2004
SaskPower	$ **63.5**	$ 138.3	$ 92.7	$ 130.5	$ 66.4
SaskTel	**121.4**	84.1	72.5	64.4	94.5
SaskEnergy	**29.2**	88.1	53.2	76.7	107.8
SGI	**40.4**	35.1	52.1	35.2	41.7
Investment Saskatchewan	**691.0**	11.5	72.9	(87.7)	19.3
ISC	**23.4**	23.0	8.7	8.3	8.3
SGC	**19.1**	-	-	-	-
SaskWater	**(1.0)**	(0.6)	0.3	(1.1)	(1.9)
STC	**(0.8)**	(0.3)	(0.4)	(0.6)	(0.1)
SOCO	**5.1**	3.7	4.9	5.5	6.1
CIC (Non-Consolidated)	**749.3**	576.9	322.3	248.1	275.0
NewGrade	**-**	74.6	102.9	88.9	40.2
Consolidation Adjustments[1] & Other	**(763.6)**	(338.1)	(341.0)	(261.5)	(345.2)
Consolidated Earnings	**$ 977.0**	**$ 696.3**	**$ 441.1**	**$ 306.7**	**$ 312.1**
Total Assets	**$ 10,589.6**	**$ 9,630.9**	**$ 9,661.2**	**$ 9,248.4**	**$ 8,139.9**

[1]Consolidation adjustments reflect the elimination of all inter-entity transactions, such as grants from CIC to Crown Corporations, revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

Consolidated Earnings Comparison (continued)

Consolidated CIC Crown sector results in 2008 were significantly improved from 2007. Consolidated net earnings increased $280.7 million from the prior year. Major variances were:

- SaskPower earnings of $63.5 million decreased by $74.8 million from 2007. Total revenue increased by $12.9 million in 2008 primarily due to higher electricity sales volumes in Saskatchewan as a result of the improved economy, partially offset by decreased export revenue caused by reduced transmission access to the Alberta market. Increased revenue was more than offset by $87.7 million in higher expenses primarily related to: increased fuel and purchased power costs caused by higher generation requirements in support of increased sales volumes, higher average fuel prices, and unfavourable fuel mix variances; and an incremental $15.6 million in unrealized losses from natural gas management activities relative to 2007.
- SaskTel earnings of $121.4 million were $37.3 million higher than 2007 primarily driven by continued strong customer growth in cellular, Max™ Entertainment, internet services, Hospitality Network Canada Inc., DirectWest Corporation and SecurTek Monitoring Solutions Inc. which was only partially offset by reductions in local access and long distance services.
- SaskEnergy earnings of $29.2 million were $58.9 million lower than 2007 primarily due to an increase of $44.5 million in unfavourable fair value adjustments related to price management tools used in the purchase and sale of natural gas.
- SGI earnings of $40.4 million increased $5.3 million from 2007 primarily due to lower losses from summer storm activity in Saskatchewan.
- Investment Saskatchewan earnings of $691.0 million increased $679.5 million relative to 2007 due to a $679.8 million gain on sale of Saskferco Products Inc. (Saskferco).
- Effective April 1, 2008, SGC was designated a CIC Crown Corporation and contributed $19.1 million in net earnings since that date.
- CIC (Non-Consolidated) earnings of $749.3 million increased $172.4 million compared to 2007 mainly due to increased dividend revenue of $552.3 million primarily resulting from a dividend of $543.0 million from Investment Saskatchewan related to the sale of Saskferco. This higher dividend revenue was partially offset by decreased revenue from investments of $373.6 million due mainly to the non-recurring $383.1 million gain on sale of NewGrade realized in 2007. Dividends are from subsidiary Crown Corporations and are eliminated on consolidation.
- CIC sold its investment in NewGrade on November 1, 2007 and therefore discontinued inclusion of its earnings results since that date.

SIGNIFICANT EVENTS IMPACTING 2008 CONSOLIDATED RESULTS

During 2008, some significant events impacted CIC's consolidated results:

1. Sale of Saskferco

On October 1, 2008, the Corporation sold its 49.5 per cent interest in Saskferco for net proceeds of $816.9 million resulting in a gain of $679.8 million. The Corporation received $782.5 million in cash during the year from the sale with the remaining $36.4 million plus interest held in escrow until 2009 pending escrow adjustments and payment of other fees of $2.0 million.

2. Discontinued Operations

DirectWest Canada Inc.

During the fourth quarter of 2008, the Corporation approved a plan to divest the operations of its wholly-owned subsidiary DirectWest Canada, Inc. As a result, the Corporation classified the operating results of DirectWest Canada Inc. as discontinued operations in 2008. Subsequent to year end, the Corporation disposed of the Alberta operations of DirectWest Canada Inc. for consideration of $4.7 million. For further details, see Notes 6 and 27 of the consolidated financial statements.

Big Sky Farms Inc. (Big Sky)

During the year specific assets identified within the operations of Big Sky were classified as held for resale. For further details, see Note 6 of the consolidated financial statements.

3. SGC Designated a CIC Crown Corporation

Effective April 1, 2008, SGC was designated a CIC Crown Corporation and has been consolidated as part of the Corporation's operations since that date.

4. Adoption of New Accounting Standards

Capital Disclosures

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results. For further details, see Note 13 of the audited consolidated financial statements.

Financial Instruments – Presentation and Disclosure

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results. For further details, see Note 4 of the consolidated financial statements.

Inventories

Effective January 1, 2008, the Corporation adopted CICA Handbook Section 3031 - Inventories. The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior year results. Upon the adoption of the new standard, the Corporation began using the weighted average cost method for valuing all natural gas inventories. For further details, see Note 1(c) of the consolidated financial statements.

ACCOUNTING POLICY DEVELOPMENTS IMPACTING FUTURE CONSOLIDATED RESULTS

1. Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 states that upon initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. This section also provides further information on the recognition of internally generated intangible assets (including research and development costs). As for the subsequent measurement of intangible assets and goodwill, as well as the disclosure thereof, Section 3064 carries forward the requirements of the old Section 3062, "Goodwill and Other Intangible Assets". The new section is effective for fiscal years beginning on or after October 1, 2008. The corporation is currently assessing the impact of implementing this new section.

2. Rate regulated operations

The CICA has amended certain sections of the CICA Handbook to remove the rate regulation exemption for recognition of certain assets and liabilities arising from rate regulation as well as other recognition and measurement guidance. These changes are effective for year-ends beginning on or after January 1, 2009. The Corporation is currently assessing the impact of implementing these new recommendations.

3. International Financial Reporting Standards (IFRS)

In February, 2008, the CICA Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) is currently deliberating the definition of publicly accountable enterprises as it applies to government entities including CIC and its subsidiaries. At this time the final outcome of these deliberations is not determinable and therefore the need for CIC and its subsidiaries to adopt IFRS has not been firmly established. However, given the considerable effort required to prepare for the adoption of IFRS within the communicated timelines, the Corporation and its subsidiaries are proceeding under the assumption that adoption of IFRS will be required.

The Corporation, in tandem with its subsidiaries, has commenced an IFRS conversion project including initiating the development of high level IFRS implementation plans for each subsidiary that include stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. An external advisor has been engaged to assist with the development of plans and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on IFRS, in general, and CIC and subsidiary project plans have been reviewed by the related Boards of Directors.

Management and staff from CIC have participated in detailed IFRS training seminars. Project teams have completed an initial assessment of those international financial reporting standards with the highest potential for impacts on either individual Crowns or for the Crown sector as a whole. Based on the analysis to date, the most significant areas of difference are related to accounting for property, plant and equipment, asset retirement obligations, joint ventures, employee future benefits and financial statement disclosures. Working groups have been formed to review identified standards in detail and discuss specific issues as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution. Selection of cross sector and/or subsidiary specific accounting policies has begun. At this time, the impact of IFRS on CIC's processes, systems, internal controls over financial reporting and disclosures, future financial position and results of operations is not reasonably determinable. Draft impacts on processes, systems and controls as well as draft IFRS financial statement presentation formats are anticipated in the second half of 2009.

As part of the IFRS implementation, CIC plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

ANALYSIS OF 2008 CONSOLIDATED REVENUES AND EXPENSES

Revenues

Revenues from ongoing operations were $4,837.4 million (2007 - $4,452.2 million), an increase of $385.2 million. The increase was mainly due to a $322.2 million increase in sales of products and services and $66.9 million in higher investment revenue.

Sales of products and services were $4,651.2 million (2007 - $4,329.0 million). The $322.2 million increase was mainly due to higher utility sales, increased insurance premiums, and the first-time inclusion of entertainment revenues, partially offset by decreased revenues from investment and economic growth activities.

Utility sales of products and services were $4,130.6 million (2007 - $3,887.7 million), an increase of $242.9 million. Although all utility Crown corporations experienced increases in sales of products and services year over year, the overall increase is due mainly to the following:

- Increased sales by SaskPower of $15.0 million due primarily to higher electricity sales volumes to Saskatchewan customers given the improved economy in 2008, partially offset by lower export sales related to reduced transmission access to Alberta.
- Increased sales by SaskTel of $76.1 million primarily driven by continued strong customer growth in cellular, Max™ Entertainment and internet services, and by growth in Hospitality Network Canada Inc., DirectWest Corporation and SecurTek Monitoring Solutions Inc., partially offset by reductions in local access and long distance services.
- Increased sales by SaskEnergy of $146.7 million due to higher natural gas sales volumes and prices for utility customers and gas marketing activities, as well as higher delivery sales as a result of growth in volumes of natural gas distributed to customers and higher delivery rates. SaskEnergy's sales also include an incremental $23.0 million of unrealized gains from natural gas management activities relative to 2007.

Insurance related sales of products and services increased by $27.9 million due mainly to inflationary increases resulting from higher property values, rate increases on certain products and growth in policies in force.

Entertainment related sales of products and services increased by $98.0 million due to the first-time inclusion of gaming revenue from SGC since its acquisition on April 1, 2008.

Sales from investment and economic growth activities decreased by $49.1 million primarily related to a decrease of $41.2 million in sales revenue from Meadow Lake Pulp Limited Partnership (MLPLP) given the sale of this investment early in 2007, as well as a decrease of $14.2 million in revenue from Big Sky due to weak hog commodity markets.

Investment revenues were $173.8 million (2007 - $106.8 million). The $67.0 million increase is primarily due to a $41.6 million increase in the Corporation's share of earnings from equity investments. The Corporation's share of year-to-date Saskferco earnings prior to its sale on October 1, 2008, was $30.5 million higher than the Corporation's full twelve month share of its 2007 earnings, due to significantly improved fertilizer prices and sales volumes in 2008. The Corporation also experienced a year over year increase of $8.3 million in its share of MRM Cogeneration Plant earnings given the continued strength of the Alberta economy in 2008, and a $4.9 million net increase in its share of earnings from various other equity investments, partially offset by $2.1 million in increased losses from ML OSB Limited Partnership due to reduced oriented strand board sales tied to the downturn in the United States housing market.

Expenses

Total expenses were $4,497.5 million (2007 - $4,070.6 million), an increase of $426.9 million. Increases in operating costs, depreciation and amortization, and Saskatchewan taxes and fees were partially offset by reduced interest expenses.

Operating costs increased by $394.9 million to $3,630.7 million (2007 - $3,235.8 million) with higher utility costs and the first-time inclusion of entertainment expenses only partially offset by reduced expenses from investment and economic growth activities.

Expenses (continued)

Utility operating costs increased by $332.7 million to $3,121.7 million (2007 - $2,789.0 million) primarily due to:

- An $87.6 million increase at SaskPower primarily as a result of higher fuel and purchased power costs caused by increased generation requirements in support of improved Saskatchewan sales volumes, higher average fuel prices and unfavourable fuel mix variances. SaskPower operating costs also include an incremental $15.6 million in unrealized losses from natural gas management activities relative to 2007.
- A $203.0 million increase at SaskEnergy with higher natural gas prices and sales volumes resulting in higher commodity cost of gas sold and gas marketing cost of gas sold. SaskEnergy operating costs include an incremental $67.5 million in unrealized losses from natural gas management activities relative to 2007.
- A $37.2 million increase at SaskTel driven primarily by incremental costs in support of cellular and Max™ Entertainment Services revenue growth.

Entertainment related operating costs increased $52.4 million as a result of the inclusion of SGC gaming expenses since its acquisition on April 1, 2008.

Operating costs related to investment and economic growth activities decreased $20.9 million primarily due to the sale of MLPLP in early 2007.

Depreciation and amortization increased by $25.6 million mainly related to higher utility depreciation of $20.8 million resulting primarily from an incremental $695.1 million in utility capital expenditures in 2008, and the first-time inclusion of $4.9 million in SGC depreciation and amortization since its acquisition.

Saskatchewan taxes and fees increased by $25.6 million due mainly to $19.2 million in gaming fees paid to the GRF since the SGC acquisition as required by gaming profit sharing legislation.

Interest costs were $245.0 million (2007 - $264.1 million), a decrease of $19.1 million due to lower interest rates on the Corporation's long-term debt balances.

Other Non-operating Revenue and Expenses

The Corporation had several significant non-operating revenues and expenses in 2008:

- Although Crown corporations are non-taxable, certain investments held by the Corporation are taxable. During the year, the Corporation recorded an income tax recovery of $8.7 million (2007 - $7.0 million).
- On October 1, 2008, CIC sold its 49.5 per cent interest in Saskferco for net proceeds of $816.9 million resulting in a non-recurring gain of $679.8 million.
- The Corporation recorded a provision for environmental remediation liabilities of $48.2 million (2007 - $24.1 million) due mainly to the cost of clean-up activities related to an indemnity provided by Prince Albert Pulp Company and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the ERCO Chemical Plant.

The following table illustrates the disclosure of these items in CIC's 2008 consolidated financial statements:

(millions of dollars)	2008	2007
Non-Operating Items		
Earnings before the following	**$ 339.9**	$ 381.6
Income tax recovery	**8.7**	7.0
Non-recurring items	**679.8**	(13.5)
Gain on Sale - NewGrade Energy Inc.	**-**	250.1
Provision for environmental remediation liabilities	**(48.2)**	(24.0)
(Loss) gain from discontinued operations	**(3.2)**	20.5
NewGrade Energy Inc. net earnings	**-**	74.6
Consolidated Earnings	**$ 977.0**	$ 696.3

Consolidated Debt

CIC closely monitors the debt levels of its subsidiaries, utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates an excessive debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the CIC Crown sector. The target ratio for 2008 was 53.0 per cent.

For further information on CIC's approach to capital management, please refer to Note 13 to the audited consolidated financial statements.

The following table shows CIC's consolidated debt level and debt ratio:

	2008	2007	2006	2005	2004
Consolidated Debt	**$ 4,035.7M**	$ 3,858.0M	$ 3,783.6M	$ 3,860.2M	$ 3,537.4M
Consolidated Debt Ratio	**44.5%**	45.9%	49.9%	51.7%	50.4%

Debt on a consolidated basis was $4,035.7 million at December 31, 2008, an increase of $177.7 million compared to 2007 debt of $3,858.0 million. Increases in debt at SaskPower ($12.7 million), SaskEnergy ($119.9 million), SaskTel ($10.4 million), SaskWater ($2.1 million) and SOCO ($5.7 million) plus an increase in debt resulting from the initial consolidation of SGC ($28.4 million), were partially offset by a decrease in debt at Investment Saskatchewan ($1.5 million).

Capital Spending

CIC's spending on new investment and capital acquisitions decreased $32.1 million to $1,732.8 million (2007 - $1,764.9 million). Although CIC year over year capital spending increased by $169.7 million, this was more than offset by $201.8 million in reduced investing activities. Higher capital spending was due mainly to increased customer connections at SaskEnergy and SaskPower given the improved Saskatchewan economy and several electrical generation capital projects at SaskPower including a $65.5 million life extension at the Poplar River Power Station and $95.5 million in new gas fired generation facilities. Investment purchases decreased by $201.8 million due mainly to: (1) a decrease of $205.6 million in purchases by SGI given that the downturn in the financial markets in 2008 resulted in less turnover of SGI investments compared to the strong 2007 financial market; (2) a $39.2 million reduction in investment purchases at Investment Saskatchewan primarily related to a non-recurring $26.9 million investment in Terra Grain Fuels Inc. in 2007 for construction of an ethanol production plant and; (3) a $58.8 million increase in short-term investment purchases by CIC (non-consolidated) resulting from the increase in available funds related to the sale of Saskferco.

Operating, Investing and Financing Activities

(millions of dollars)	2008	2007
Cash Flow Highlights		
Cash from Operations	**$ 753.8**	$ 994.8
Cash used in Investing Activities	**(353.3)**	(611.4)
Cash used in Financing Activities		
Dividends Paid	**(415.0)**	(167.0)
Repayment of equity advances	**(130.0)**	-
Debt Proceeds Received	**513.5**	189.3
Debt Repaid	**(450.4)**	(146.1)
Other Financing Activities	**108.8**	(50.9)
Change in Cash	**$ 27.4**	$ 208.7

Cash from operations decreased by $241.0 million to $753.8 million (2007 - $994.8 million). Although net earnings increased by $280.7 million this was more than offset by a $313.9 million reduction in items not affecting cash from operations (see details in Note 21 to the audited consolidated financial statements) resulting in an overall cash impact from earnings which was $33.2 million less than in 2007. Also impacting cash from operations was a decrease of $28.6 million in net cash inflows due to the sale of NewGrade in 2007 and discontinued operations, and a decrease of $179.2 million in net change in non-cash working capital balances mainly consisting of: (1) $27.2 million at CIC (non-consolidated) related to selling short-term investments and reinvesting those monies in cash equivalents with a maturity of less than 90 days; (2) $70.2 million at SaskEnergy resulting from higher year over year accounts receivable and natural gas in storage balances; and (3) $68.0 million at Investment Saskatchewan due mainly to increased accounts receivable, increased accounts payable and accrued liabilities and lower inventory balances.

Cash used in investing activities decreased $258.1 million to $353.3 million (2007 - $611.4 million). Lower investment purchases combined with higher proceeds from the sale and collection of investments were only partially offset by increased purchases of property, plant and equipment. Investment purchases decreased by $201.8 million due mainly to: (1) a decrease of $205.6 million in purchases by SGI given that the downturn in the financial markets in 2008 resulted in less turnover of SGI investments compared to the strong 2007 financial markets; (2) a $39.2 million reduction in investment purchases at Investment Saskatchewan primarily related to a non-recurring $26.9 million investment in Terra Grain Fuels Inc. in 2007 for construction of an ethanol production plant and; (3) a $58.8 million increase in short-term investment purchases by CIC (non-consolidated) resulting from the increase in available funds related to the sale of Saskferco.

The Corporation realized $211.9 million in higher proceeds from the sale and collection of investments primarily due to $782.5 million in Saskferco sale proceeds partially offset by $254.3 million in lower proceeds from CIC (non-consolidated) investments caused by the sale of short term investments and reinvesting those monies in cash equivalents with a maturity of less than 90 days as well as a $246.1 million decrease in investment proceeds at SGI given the aforementioned lower investment turnover in 2008 versus 2007. Purchases of property, plant and equipment increased by $169.7 million due mainly to increased customer connections at SaskEnergy and SaskPower given the improved Saskatchewan economy and several electrical generation capital projects at SaskPower including a $65.5 million life extension at the Poplar River Power Station and $95.5 million in new gas fired generation facilities.

Cash used in financing activities was $373.1 million (2007 - $174.7 million). The $198.4 million increase results from a $130.0 million repayment of equity advances and $248.0 million in higher dividends paid to the GRF, partially offset by a net increase in debt proceeds of $20.0 million, a $56.8 million increase in net sinking fund redemptions, and a $102.6 million net increase in notes payable, other liabilities, and restricted cash and cash equivalents.

Comparison of 2008 Results with Budget

(millions of dollars)	2008 Earnings		2008 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 131.4	$ 63.5	$ 65.5	$ 46.0
SaskTel	75.8	121.4	49.3	78.9
SaskEnergy	64.4	29.2	51.5	42.9
SGI	38.6	40.4	25.1	26.2
Investment Saskatchewan	46.2	691.0	14.0	543.0
ISC	14.2	23.4	12.8	21.1
SGC	17.6	19.1	14.1	15.3
SaskWater	(0.4)	(1.0)	-	-
STC	(0.8)	(0.8)	-	-
SOCO	3.2	5.1	-	-
CIC, Other, Adjustments	(17.5)	(14.3)	-	-
Consolidated Earnings	**$ 372.7**	**$ 977.0**	**$ 232.3**	**$ 773.4**

The preceding table shows results for the commercial Crown corporations in 2008 in comparison to business plan targets. Consolidated earnings for 2008 of $977.0 million were $604.3 million above budgeted consolidated earnings of $372.7 million. Earnings variances in the Crown sector are explained as follows:

- SaskPower earnings were $67.9 million below the budget of $131.4 million primarily due to lower than budgeted Saskatchewan sales, lower export revenue and unfavourable fair value adjustments related to natural gas management activities. These were partially offset by lower than budgeted fuel and purchased power costs and operating expenses.
- SaskTel earnings were $45.6 million higher than budget due to favourable access, long distance, customer premise equipment, wireless, data, enhanced services and internet revenues, and reduced interest costs resulting from lower than anticipated capital spending, partially offset by reduced MAX™ Entertainment Service revenues and SaskTel International revenues as well as increased operating expenses mainly related to costs incurred to support increased revenues.
- SaskEnergy earnings were $35.2 million below budget primarily due to $24.7 million in unbudgeted unfavourable fair value adjustments related to natural gas management activities.
- SGI earnings were $1.8 million higher than budget primarily due to solid underwriting performance in Saskatchewan operations.
- Investment Saskatchewan earnings were $644.8 million higher than budget due primarily to a $679.8 million unbudgeted gain on the sale of Saskferco, partially offset by a $10.6 million increase in expenses primarily due to increased operating costs at Big Sky as a result of adverse market conditions including a decrease in hog commodity prices and fluctuating foreign currency exchange rates.
- ISC earnings were $9.2 million above budget primarily due to higher land revenues and lower employee costs, amortization and professional services. Revenues exceeded budget by $9.5 million, primarily due to a higher than expected volume of land transactions and higher dollar value transactions while operating expenses were $1.6 million below budget, primarily due to vacancy of management positions and delayed projects.

Dividends to CIC in 2008 of $773.4 million were $541.1 million above budgeted dividends of $232.3 million. Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations:

- SaskPower dividends were below budget due to a decrease in Saskatchewan sales and lower exports, offset by lower fuel and purchased power costs and operating expenses.
- SaskTel dividends were above budget due to higher than budgeted operating margins.
- SaskEnergy dividends were below budget due to higher costs of natural gas sold associated with natural gas marketing and distribution utility commodity sales.
- SGI dividends were higher than budget due to solid underwriting performance in Saskatchewan operations. Revenues exceeded budget as a result of stronger than planned Saskatchewan business while claims expense was on budget.
- Investment Saskatchewan's dividends were higher than budget due to the sale of its investment in Saskferco for proceeds of $816.9 million. A dividend of $543.0 million was paid from these proceeds.
- ISC dividends were above budget due to higher than expected volume and value of land transactions.

A CLOSER VIEW OF CIC'S HOLDINGS

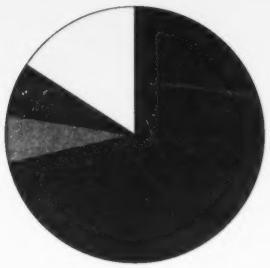
CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held either directly by CIC, or through its wholly-owned subsidiaries.

Investment	Major Business Line	Form of Investment
	Utilities:	
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land & Property Registration Services	wholly-owned subsidiary
	Insurance:	
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
	Entertainment:	
Saskatchewan Gaming Corporation (SGC)	Gaming	wholly-owned subsidiary
	Investment and Economic Growth:	
Investment Saskatchewan Inc.	Investments	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)	Immigrant Investor	wholly-owned subsidiary
	Transportation:	
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

Profiles of material subsidiary Crown corporations are included in this section. SDFC and SGGF MC are immaterial to the consolidated operations to CIC and therefore profiles have not been included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. For additional information, please refer to each individual Crown corporation's annual report. These annual reports can be found through CIC's website at www.cicorp.sk.ca.

The data on the following page illustrates the importance of the utility business segment to the financial results of the Corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities, and operating income generated.

Total Assets by Business Segment



- Utilities
- Investment and Economic Growth
- Insurance
- Other

Total Assets by Corporation

- Saskpower
- SaskEnergy
- SaskTel
- SGI
- Investment SK
- Other

(millions of dollars)	Utilities		Entertainment		Insurance		Transportation		Investment & Economic Growth		Other & Adjustments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Income Statement for the year ended December 31														
Sales and other revenue	4,161	3,919	98	–	358	342	24	15	253	238	(57)	(62)	4,837	4,452
Operating expenses and other	(3,686)	(3,328)	(78)	–	(317)	(305)	(25)	(23)	(186)	(230)	40	80	(4,252)	(3,806)
Debt costs	(236)	(254)	(1)	–	–	–	–	–	(8)	(9)	–	(1)	(245)	(264)
Earnings before the following	239	337	19	–	41	37	(1)	(8)	59	(1)	(17)	17	340	382
Non-recurring items and taxes	–	–	–	–	(1)	(2)	–	(8)	641	(7)	–	221	640	220
Discontinued operations	(2)	(4)	–	–	–	–	–	–	(1)	98	–	–	(3)	94
Net earnings	237	333	19	–	40	35	(1)	–	699	90	(17)	238	977	696
Balance Sheet as at December 31														
Current assets	922	916	25	–	270	263	5	4	244	194	1,292	857	2,758	2,234
Investments and other	689	609	–	–	446	441	–	–	276	395	239	–	1,650	1,445
Property, plant and equipment	5,950	5,785	57	–	9	10	40	35	136	133	(10)	(11)	6,182	5,952
	7,561	7,310	82	–	725	714	45	39	656	722	1,521	846	10,590	9,631
Current liabilities	947	1,183	26	–	257	236	3	4	130	159	71	109	1,434	1,691
Long-term debt	3,650	3,215	22	–	–	–	–	–	39	12	2	–	3,713	3,227
Other	169	150	–	–	290	289	32	25	127	91	205	(24)	823	531
	4,766	4,548	48	–	547	525	35	29	296	262	278	85	5,970	5,449
Province's equity	2,795	2,762	34	–	178	189	10	10	360	460	1,243	761	4,620	4,182
	7,561	7,310	82	–	725	714	45	39	656	722	1,521	846	10,590	9,631
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	640	734	11	–	59	54	(1)	(1)	65	119	(21)	60	753	966
Discontinued operations	(1)	(2)	–	–	–	–	–	–	1	(33)	1	64	1	29
	639	732	11	–	59	54	(1)	(1)	66	86	(20)	124	754	995
Investing activities														
Capital asset purchases	(695)	(530)	(3)	–	–	–	(8)	(15)	(14)	(25)	(1)	19	(721)	(551)
Other	(1)	10	–	–	(53)	(13)	1	–	785	185	(364)	(242)	368	(60)
	(696)	(520)	(3)	–	(53)	(13)	(7)	(15)	771	160	(365)	(223)	(353)	(611)
Financing activities														
Debt proceeds	483	182	–	–	–	–	–	–	30	5	–	2	513	189
Debt repayments	(438)	(128)	(4)	–	–	–	–	–	(8)	(27)	–	9	(450)	(146)
Dividends paid to CIC	(191)	(175)	(10)	–	(29)	(30)	–	–	(561)	(164)	791	369	–	–
Dividends paid to GRF	–	–	–	–	–	–	–	–	–	–	(415)	(167)	(415)	(167)
Equity (repaid) received	(12)	–	30	–	–	–	–	–	(239)	–	91	–	(130)	–
Other	129	(21)	–	–	–	–	9	16	(14)	(244)	(16)	198	108	(51)
	(29)	(142)	16	–	(29)	(30)	9	16	(792)	(430)	451	411	(374)	(175)
Change in cash	(86)	70	24	–	(23)	11	1	–	45	(184)	66	312	27	209

SaskPower

UTILITIES

Comparison of 2008 Results with 2007 Results

- Earnings of $63.5 million (2007 - $138.3 million) decreased primarily due to increased operating costs and unrealized losses on natural gas hedges partially offset by an improvement in revenue.
- Revenue of $1,489.2 million (2007 - $1,469.2 million) increased due to higher sales volumes to Saskatchewan customers.
- Expenses of $1,425.7 million (2007 - $1,330.9 million) increased primarily due to rising fuel and purchased power costs as a result of an unfavourable change in the fuel mix and higher average fuel prices.
- Gross long-term debt of $2,578.3 million (2007- $2,565.6 million) was up due to the additional borrowing of $353.2 million to finance SaskPower's capital program. This increase was offset by $340.3 million in debt repayments during the year.
- SaskPower invested $422.0 million (2007 - $279.9 million) in various capital projects including new generation, customer connects and the life extension of existing infrastructure.
- Debt ratio of 60.7 per cent (2007 - 59.7 per cent) was up 1% from 2007 due to an expanded capital program to meet higher demand for electricity and to replace aging infrastructure.
- Return on equity of 6.0 per cent (2007 - 9.3 per cent) decreased due to the reduction in earnings.
- Dividend declared to CIC of $46.0 million (2007 - $97.0 million) decreased due to a corresponding decrease in earnings and a reduction in the dividend rate.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Net earnings	**$ 63.5M**	**$ 131.4M**	$ 138.3M	$ 92.7M	$ 130.5M	$ 66.4M
Dividend declared to CIC	**$ 46.0M**	**$ 65.5M**	$ 97.0M	$ 60.2M	$ 84.8M	$ 59.8M
Total assets	**$ 4,520.2M**	**$ 4,684.0M**	$ 4,475.5M	$ 4,364.0M	$ 4,271.0M	$ 3,970.0M
ROE	**4.2%**	**8.5%**	9.3%	6.4%	9.2%	4.8%
Debt ratio	**60.7%**	**60.8%**	59.7%	61.0%	60.9%	58.2%

Comparison of 2008 Results with Budget

- Earnings were $67.9 million below the budget of $131.4 million primarily due to a decrease in Saskatchewan sales, lower exports and unrealized losses on natural gas hedges. These were offset by lower fuel and purchased power costs and operating expenses.
- Revenues were $129.6 million lower than the budget of $1,618.8 million as a result of lower sales volumes in Saskatchewan, fewer export opportunities and a delay in an expected rate increase for 2008.
- Expenses were $61.6 million lower than the $1,487.3 million budget, primarily due to lower fuel and purchased power costs as a result of an improved fuel mix and a decrease in demand.
- The dividend to CIC was $19.5 million lower than the $65.5 million budget commensurate with lower than expected earnings.

SaskPower

UTILITIES

2009 Outlook

- Earnings are expected to increase in 2009 to about $137.5 million largely as a result of higher Saskatchewan sales driven by the anticipated 13% system-wide average rate increase and an increase in domestic demand.
- These increases are expected to be offset by higher expenses in 2009. The largest increase will be in fuel and purchased power costs due to an expectation of increased natural gas costs and an unfavourable change in the fuel mix as a result of a return to average water levels.
- SaskPower plans to continue making significant investments in its aging generation, transmission and distribution infrastructure with anticipated capital expenditures of approximately $954.1 million in 2009.

Key Factors Affecting Performance

- Weather conditions can impact both electricity demand and availability of low cost hydroelectric generation.
- Export opportunities play a key role in financial results and are dependent on a number of factors including: transmission system availability, prices in export markets, and demand for electricity both within Saskatchewan and within export markets.
- Natural gas costs represent the largest expenditure for the organization and are susceptible to significant volatility. Although SaskPower actively manages its natural gas costs to mitigate price volatility a change in market price of natural gas will have a significant impact on financial results.
- Equipment failure can lead to costly repairs and may necessitate utilizing higher cost generation sources or importing power from other jurisdictions at higher prices. SaskPower undertakes regular maintenance of its electricity infrastructure to mitigate this risk.

Key Operational Data

	2008	2007	2006	2005	2004
Permanent full-time employees	**2,541**	2,488	2,458	2,425	2,397
Total customers	**460,006**	451,713	445,569	441,692	439,165
Residential & avg usage (kWh)	**8,278**	8,229	8,030	8,065	8,048
Power lines (kilometres)	**156,661**	155,818	155,055	154,269	153,557

SaskTel

UTILITIES

Comparison of 2008 Results with 2007 Results

- Net income for the year was $121.4 million, up $37.3 million from 2007. Income from operations was $141.7 million and cash provided by operating activities was $266.3 million, which enabled SaskTel to once again self-finance most of its capital expenditures, debt obligations and dividend requirements.
- Operating revenues for the year were $1,137.8 million, up $76.1 million from 2007. The increase was primarily driven by continued strong customer growth in cellular, Max™ Entertainment and internet services, and by growth in Hospitality Network Canada Inc., DirectWest Corporation and SecurTek Monitoring Solutions Inc. Increases in these services were partially offset by reductions in local access and long distance services.
- Operating expenses for the year were $996.1 million, up $41.5 million from 2007. The increase was driven primarily by increased expenses to support cellular and Max™ Entertainment Services revenue growth, and increases to depreciation and amortization expenses. A one-time cost relating to a write-down of SaskTel's out of province assets also contributed to the increase in operating expenses. These increases were partially offset by a reduction in restructuring charges.
- Interest costs were $23.1 million, down $1.9 million from 2007, primarily due to reduced debt levels for most of the year and increased sinking fund earnings.
- Debt increased to $362.8 million, up $10.4 million from 2007 due to the issuance of short-term debt at the end of the year partially offset by the repayment of long-term debt.
- Capital expenditures for the year were $217.1 million, up $41.7 million from 2007, due to the purchase of wireless spectrum of $66.0 million, partially offset by a reduction in property, plant and equipment expenditures. SaskTel's property, plant and equipment spending in 2008 was $147.5 million, down $24.7 million from 2007. The decrease is driven by planned spending reductions in the Efficient Activation & Sales Integration (EASI) program, the Access/Core Network program and the CDMA Expansion Phase III program as well as construction efficiencies in the Next Generation Access Infrastructure (NGAI) program, partially offset by investment to support SaskTel's bandwidth infrastructure, designed to support customer requirements in established services such as Max™ Entertainment Services, high speed internet as well as all future Internet Protocol (IP) Service needs.
- The debt ratio is 27.3 per cent down 0.4 percentage points from 2007 as a result of: repayment of long-term debt and increased sinking funds, partially offset by increased short-term debt and reduced cash and short-term investments.
- Return on equity is 15.7 per cent up 3.9 percentage points from 2007, consistent with higher earnings.
- Dividends of $78.9 million were declared in 2008 (2007 - $30.0 million).

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	**$ 121.4M**	**$ 75.8M**	$ 84.1M	$ 72.5M	$ 64.4M	$ 94.5M
Dividend declared to CIC	**$ 78.9M**	**$ 49.3M**	$ 30.0M	$ 50.0M	$ 57.9M	$ 88.0M
Total assets	**$ 1,360.8M**	**$ 1,480.9M**	$ 1,296.5M	$ 1,254.9M	$ 1,213.6M	$ 1,230.7M
ROE	**15.7%**	**9.9%**	11.8%	10.7%	9.7%	14.4%
Debt ratio	**27.3%**	**37.9%**	27.7%	30.4%	28.3%	25.7%

Comparison of 2008 Results with Budget

- Net income of $121.4 million was $45.6 million higher than budget.
- Operating revenues of $1,137.8 million were $49.1 million higher than anticipated primarily due to favourable access, long distance, customer premise equipment, wireless revenues, data, enhanced services and internet revenues. Partially offsetting this variance is reduced Max™ revenues and SaskTel International revenues.
- Operating expenses of $996.1 million were $7.0 million unfavourable, mainly due to increased direct costs to support increased revenues, increased operations expense (primarily due to bad debt expense), the write down of expansion division assets, and increased depreciation (mainly due to higher plant in service), partially offset by reduced salaries and benefits, interest costs and subsidiary expenses.
- Interest costs of $23.1 million were $7.6 million lower than budget. Lower than anticipated capital spending on spectrum and property, plant and equipment resulted in reduced borrowing requirements.

SaskTel

UTILITIES

2009 Outlook

- SaskTel's targeted 2009 net income is $115.7 million.
- Revenues from growth initiatives including cellular, internet and Max™ Entertainment services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts in excess of $1.0 billion gross revenues for the fourth year in a row.
- Restructuring charges of $6.4 million are expected.
- SaskTel will continue to focus on productivity gains to further decrease costs within the traditional business.
- SaskTel has budgeted approximately $322.7 million on capital expenditures during 2009.

Key Factors Affecting Performance

- Convergence, or the ability to access any service or content through any device from any location, and next generation technologies delivering IP services through traditional and non-traditional competitors.
- Competitive pressures in all markets and the decline of traditional revenues.
- Ability to implement strategies to capture new growth revenues and retain existing revenue base.
- Challenges of meeting cost reduction targets through improved productivity, while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
- Changes in policies and regulations coming from Canadian Radio-television and Telecommunications Commission decisions and from Industry Canada.

Key Operational Data

	2008	2007	2006	2005	2004
Permanent full time employees	**3,659**	3,797	3,895	3,995	4,103
Operating Revenues	**$ 1,137.8M**	$ 1,061.7M	$ 1,009.6M	$ 978.8M	$ 932.4M
Network access services	**555,668**	565,647	576,289	581,812	584,899
Cellular access services	**502,020**	452,218	402,676	360,137	318,102
Internet access services	**216,062**	205,837	192,623	179,388	162,117
Originated minutes (M)	**1,397.7**	1,388.8	1,393.8	1,390.6	1,426.5

SaskEnergy

UTILITIES

Comparison of 2008 Results with 2007 Results

- Net income of $29.2 million (2007 - $88.1 million) decreased primarily due to unfavourable fair value adjustments related to price management tools used by SaskEnergy in the purchase and sale of natural gas. In 2008, there were unfavourable fair value adjustments of $24.7 million (2007 - $19.7 million favourable fair adjustments). Realized net income before the effects of the fair value adjustments was $53.9 million (2007 - $68.1 million).
- Revenues were $1,316.7 million (2007 - $1,170.5 million) as sales both to utility customers and for gas marketing activities increased due to incremental sales volumes and higher natural gas prices. Also, delivery revenue increased as a result of growth in volumes of natural gas distributed to customers combined with a delivery rate increase.
- Expenses of $1,287.5 million (2007 - $1,082.4 million) increased as higher prices paid for natural gas and increased volumes sold resulted in both higher commodity cost of gas sold and gas marketing cost of gas sold.
- SaskEnergy incurred a loss on commodity sales of $37.9 million (2007 - $27.2 million gain). SaskEnergy utilizes a natural gas purchase price risk management program to assist in managing the volatility of natural gas purchase prices and may use various natural gas derivative contracts. The related fair value adjustments of these contracts are included in commodity cost of gas sold. In 2008, the net effect of the fair value adjustments was to increase the cost of gas sold, thus decreasing the commodity margin, by $47.5 million (2007 - $17.9 million decrease in cost of gas sold).
- Debt, which includes short- and long-term debt, increased to $916.9 million (2007 - $796.9 million) as a result of debt issues used to fund capital expenditures and purchases of natural gas inventory.
- Capital investment was $123.7 million (2007 - $99.6 million) with the majority spent on ensuring the safe and reliable operation of over 80,000 kilometres of transmission and distribution systems.
- SaskEnergy's debt ratio was 66.5 per cent (2007 - 62.8 per cent) which coincides with the increase in debt.
- Return on equity of 12.5 per cent (2007 - 15.4 per cent) decreased corresponding with the lower net income.
- Dividends declared to CIC of $42.9 million (2007 - $53.0 million).

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	**$ 29.2M**	**$ 64.4M**	$ 88.1M	$ 53.2M	$ 76.7M	$ 107.8M
Dividends declared to CIC	**$ 42.9M**	**$ 51.5M**	$ 53.0M	$ 34.5M	$ 29.3M	$ 70.0M
Total assets	**$ 1,560.1M**	**$ 1,380.2M**	$ 1,411.4M	$ 1,327.7M	$ 1,371.0M	$ 1,286.4M
ROE	**12.5%**	**14.8%**	15.4%	14.7%	20.7%	33.1%
Debt ratio	**66.5%**	**63.4%**	62.8%	63.4%	65.0%	68.4%

Comparison of 2008 Results with Budget

- Net income was $35.2 million below the $64.4 million budget primarily due to unfavourable fair value adjustments of $24.7 million which were not estimated in the budget process due to market volatility.
- Revenues were $234.9 million higher than the $1,081.8 million budget as gas marketing and commodity revenues increased.
- Expenses were $270.1 million above the budget of $1,017.4 million due to higher cost of natural gas sold associated with natural gas marketing and distribution utility commodity sales.
- Dividends to CIC were $8.6 million below the budgeted dividend of $51.5 million as net income was lower than anticipated in the budget.

SaskEnergy

UTILITIES

2009 Outlook

- SaskEnergy anticipates net income of $71.8 million in 2009 and will target to maintain a financially sound position with annual consolidated net income projected between $64.0 million and $72.0 million during the period of 2009 to 2013.
- SaskEnergy anticipates future capital investments of $569.9 million over the next five years. With SaskEnergy's focus on Saskatchewan growth opportunities, approximately $137.0 million of the total amount has been forecast for strategic investments within Saskatchewan. Most of the remaining capital will be spent for the purpose of maintaining, improving and expanding the natural gas transmission and distribution systems within the Province. These investments will generate incremental income for SaskEnergy and support economic development within the Province.
- In 2009, SaskEnergy will continue to demonstrate environmental leadership through initiatives focused on the reduction of greenhouse gas emissions (both internally and by customers) as well as administering Provincial and Federal energy conservation programs for customers.
- SaskEnergy will create value for the owner by generating industry-comparable returns on operations, paying dividends and preserving an appropriate long-term capital structure.

Key Factors Affecting Performance

- Volatility of natural gas prices - a 10 cent per Gigajoule change in the market price of natural gas can affect the cost of natural gas by approximately $5.5 million.
- Variations in winter weather patterns - a one per cent change in winter weather can affect SaskEnergy's distribution utility revenue by approximately $0.7 million.
- Changes in the level of contracted transportation - a one per cent change in the level of capacity contracted by shippers to bring natural gas onto the transportation system can affect income by approximately $0.7 million.

Key Operational Data

	2008	2007	2006	2005	2004
Permanent full time employees	**955**	910	853	813	813
Total distribution customers	**342,606**	336,512	332,148	329,240	327,586
Residential average usage (M^3)	**3,088**	3,025	2,873	3,060	3,287
Distribution pipelines (KM)	**66,829**	66,460	66,163	65,992	65,832
Transmission pipelines (KM)	**14,339**	14,318	14,252	14,197	14,127
Compressor horsepower (HP)	**89,035**	89,035	88,500	94,625	99,850
Peak day gas flows (Petajoules)	**1.50**	1.49	1.53	1.38	1.48

SaskWater
The Quality Advantage

UTILITIES

Comparison of 2008 Results with 2007 Results

- Losses for the year were $0.9 million (2007 - $0.5 million) as increased revenues from new customers failed to keep pace with rising expenses. In 2008 and 2007, CIC provided grant funding of $0.1 million for the Aboriginal Advisor program. Net losses before grant funding for the year were $1.0 million (2007 - $0.6 million).
- Revenues of $21.1 million increased by $1.5 million (2007 - $19.6 million) primarily due to increased volumes from existing customers.
- Expenses of $22.1 million increased by $1.9 million (2007 - $20.2 million) primarily due to increased costs relating to increased volumes along with staffing and contractual commitments.
- Debt was $41.9 million (2007 - $39.8 million) an increase of $2.1 million. This increase relates to long-term borrowings to finance substantially complete capital projects.
- Capital spending of $4.3 million decreased by $3.2 million (2007 - $7.5 million) primarily due to completion of major ongoing construction projects in 2007 and lower than expected customer growth in 2008.
- Total water services volumes of 4.70 billion gallons (2007 - 4.46 billion gallons).
- Debt ratio of 55.2 per cent increased by 1.5 per cent (2007 - 53.7 per cent) primarily due to the increase in long-term debt.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Operating income (loss)	**$ (1.0M)**	**$ (0.4M)**	$ (0.6M)	$ 0.3M	$ (1.1M)	$ (1.9M)
Grant funding from CIC	**$ 0.1M**	**$ 0.1M**	$ 0.1M	$ 0.1M	$ 35.1M	$ 9.2M
Total assets	**$ 79.1M**	**$ 90.6M**	$ 77.1M	$ 73.5M	$ 69.9M	$ 69.9M
Debt ratio	**55.2%**	**61.0%**	53.7%	50.3%	49.4%	81.5%

Comparison of 2008 Results with Budget

- Losses before grant funding were $0.6 million greater than the $0.4 million loss budgeted.
- Revenues were $0.1 million above the $21.0 million budget due primarily to other services provided by SaskWater such as Municipal Project Management.
- Expenses were $0.7 million above the $21.4 million budget primarily due to increases in salary costs.

2009 Outlook

- SaskWater expects total revenues to increase by three per cent ($0.6 million) to $21.7 million.
- SaskWater expects to invest $44.3 million in water and wastewater infrastructure projects in the province.
- SaskWater expects to report a net loss of $0.1 million in 2009.

Key Factors Affecting Performance

- Weather: high rainfall decreases water sales.
- Rapidly rising construction costs for capital infrastructure.

UTILITIES

Comparison of 2008 Results with 2007 Results

- Earnings increased to $23.4 million (2007 - $23.0 million) primarily due to higher land transaction revenue.
- Revenues of $66.4 million (2007 - $62.5 million) increased due to a large volume of land transactions and increased market values of property.
- Operating expenses of $43.0 million (2007 - $39.5 million) increased due to higher employee costs, amortization and technology costs.
- CIC equity advance was recalled and $12.0 million was paid.
- Debt was $13.5 million (2007 - $13.5 million) consistent with prior year as this long-term debt does not mature until 2011 and 2012.
- Capital spending was $7.3 million (2007 - $5.5 million). Spending was focused on leasehold improvements, and enhancements to new and existing information systems.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	**$ 23.4M**	**$ 14.2M**	$ 23.0M	$ 8.7M	$ 8.3M	$ 8.3M
Total assets	**$ 41.1M**	**$ 44.9M**	$ 46.8M	$ 42.2M	$ 47.4M	$ 50.2M
Return on assets	**53.2%**	**32.0%**	51.7%	19.5%	17.0%	15.8%
Debt ratio	**39.3%**	**34.7%**	42.4%	79.0%	109.1%	134.5%
Dividends paid to CIC	**$ 21.1M**	**$ 12.8M**	$ 8.0M	$ Nil	$ Nil	$ Nil

Comparison of 2008 Results with Budget

- Earnings were $9.2 million higher than the $14.2 million budget, primarily due to higher land revenues and lower employee costs, amortization and professional services.
- Revenues exceeded the $56.9 million budget by $9.5 million, primarily due to higher than expected volume of land transactions and high value transactions.
- Operating expenses were $1.6 million below the $44.6 million budget, primarily due to vacant management positions and delayed projects, offset by higher information technology and financial services expenditures.
- Dividends paid were $8.3 million higher than the $12.8 million budget, due to increased revenues resulting from strong Saskatchewan economy.

2009 Outlook

- ISC expects revenue to decrease in 2009 as the real estate market begins to return to a more balanced state. Land Registry revenue is still expected to be higher than historical levels.
- ISC is committed to proactively examining fees to ensure they are fair to customers, while also ensuring any fee reductions are sustainable over time. In 2009, ISC will conduct its annual pricing review to examine fees, while monitoring market conditions.
- ISC will continue to focus on productivity, efficiency and cost containment in 2009, while also ensuring ISC's solid operating performance remains strong.
- As demonstrated by being named one of Saskatchewan's Top 15 Employers and one of Canada's Top Diversity Employers, ISC strives to be an employer of choice. The Corporation will continue to implement innovative strategies to attract and retain diversity and youth.

Key Factors Affecting Performance

- Volume of searches and registrations are driven by economic activity.
- Revenues are influenced by the volume of transactions and property values.
- Achievement of targeted cost reductions and cost containment.

SGI CANADA

INSURANCE

Comparison of 2008 Results with 2007 Results

- Earnings were $40.4 million (2007 - $35.1 million). The increase from 2007 is due to a lower loss ratio in 2008 compared to 2007 primarily due to higher than average summer storm activity in Saskatchewan in 2007.
- Revenues were $358.4 million (2007 - $342.3 million). The increase is primarily a result of inflationary increases resulting from increased property values, rate increases on certain products and growth in policies in force.
- Claims incurred decreased to $185.6 million (2007 - $186.0 million) primarily due to lower Saskatchewan claim costs from severe summer storm activity, partially offset by additional claims incurred related to growth in Alberta and the Maritimes.
- Minimum Capital Test (MCT) of 228% (2007 - 266%).
- Return on equity of 22.3% (2007 - 20.9%).
- Dividends declared to CIC of $26.2 million (2007 - $22.8 million) commensurate with the increased earnings.
- SGI CANADA's capital position, as measured by the MCT, declined in 2008. The decline in the value of the investment portfolio, due to the downturn in global capital markets, was the primary factor in the MCT declining from 266% at the end of 2007 to 228% at the end of the current year. The Corporation's target is to have an MCT equal to the average of its competitors in the industry, which at the end of 2007 was 316%. However, the downturn in capital markets impacted the entire industry and therefore a significant decline in the industry average is expected. The Corporation will continue to monitor its capital position during 2009.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	**$ 40.4M**	**$ 38.6M**	$ 35.1M	$ 52.1M	$ 35.2M	$ 41.7M
Dividend declared to CIC	**$ 26.2M**	**$ 25.1M**	$ 22.8M	$ 33.9M	$ 22.9M	$ 27.1M
Total assets	**$ 717.3M**	**$ 756.2M**	$ 707.2M	$ 662.5M	$ 598.2M	$ 528.9M
ROE	**22.3%**	**22.0%**	20.9%	34.2%	30.2%	42.0%
Minimum Capital Test[1]	**228%**	**274%**	266%	271%	255%	184%

[1]The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Comparison of 2008 Results with Budget

- Earnings were $1.8 million higher than the $38.6 million budget primarily due to solid underwriting performance in Saskatchewan operations.
- Revenue exceeded the $357.0 million budget by $1.4 million due primarily to Saskatchewan business being stronger than planned.
- Claims incurred were essentially on target, $1.1 million or 0.6% lower than the budget of $186.7 million.
- Dividends declared to CIC were $1.1 million higher than the $25.1 million budgeted, commensurate with increased earnings.

SGI CANADA

INSURANCE

2009 Outlook

- The financial uncertainty in investment markets will likely continue through 2009.
- Barring significant storm activity in 2009, SGI expects another strong year of profitability.
- The Corporation will continue to have controlled growth in the newer markets of Alberta, New Brunswick and Nova Scotia as it continues to spread its geographic insurance risk in those jurisdictions.

Key Factors Affecting Performance

- Weather conditions (for example, storm activity).
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigates the effect of adverse weather conditions.
- Capital markets have a significant impact on investment earnings and profitability.
- Increased competition.

Key Operational Data

	2008	2007	2006	2005	2004
Permanent full time employees	**1,741**	1,696	1,630	1,565	1,532
Net premiums written	**$ 353.4M**	$ 320.7M	$ 301.2M	$ 286.4M	$ 278.0M
Number of policies in force	**534,732**	510,449	490,501	481,064	481,065
Number of claims	**79,836**	80,147	71,749	74,097	76,140

SGI

INSURANCE

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

Comparison of 2008 Results with 2007 Results

- The Auto Fund posted a deficit of $42.6 million in 2008 (2007 - $32.0 million surplus). The deficit was primarily attributable to lower investment earnings in 2008, which were $61.9 million lower than the prior year.
- Revenues decreased to $638.7 million (2007 - $669.2 million) attributable to lower investment earnings in 2008.
- Total claims and expenses were $681.3 million (2007 - $637.2 million). The increase is primarily due to higher claim costs and increased costs related to the redevelopment of the Auto Fund information system and staffing and benefit costs.
- The Rate Stabilization Reserve was reduced to $102.5 million (2007 - $141.0 million) primarily as a result of lower investment earnings and higher claim costs.
- The Redevelopment Reserve was $26.8 million (2007 - $31.0 million). This reserve was established during 2005 to ensure adequate funding is available to meet the Auto Fund's commitment to redevelop its information systems.
- Capital spending increased to $10.7 million (2007 - $8.3 million), the primary contributors to the increase are development costs for the new Auto Fund system and costs associated with renovating the Regina Operations Centre building.
- The Auto Fund's capital position, as measured by the MCT, declined in 2008. The decline in the value of the investment portfolio, due to the downturn in global capital markets, was the primary factor in the MCT declining from 132% at the end of 2007 to 61% at the end of the current year. The Corporation's target is to have an MCT between 100% and 125%. As the capital market downturn occurred only in the last half of 2008, the Corporation will continue to monitor the situation during 2009 in order to better assess the long-term impact of the decline and any required action.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings (deficit)	**$ (42.6M)**	**$ (1.1M)**	$ 32.0M	$ 101.1M	$ 45.3M	$ 124.9M
Total assets	**$ 1,342.7M**	**$ 1,342.4M**	$ 1,371.7M	$ 1,317.8M	$ 1,213.4M	$ 1,101.0M
Minimum Capital Test[1]	**61%**	**125%**	132%	179%	159%	N/A
Rate Stabilization Reserve	**$ 102.5M**	**$ 106.8M**	$ 141.0M	$ 205.6M	$ 147.3M	$ 136.9M

[1]The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required. The Auto Fund introduced the measure in 2005.

Comparison of 2008 Results with Budget

- Deficit of $42.6 million was $41.5 million more than the budgeted deficit of $1.1 million, a reflection of the impact of the global investment market downturn that occurred in 2008.
- Revenue was $14.1 million lower than the $652.8 million budget, primarily a result of lower than expected investment earnings.
- Claims and expenses were $27.4 million higher than the $653.9 million budget primarily due to higher than budgeted claim costs.

SGI

INSURANCE

2009 Outlook

- With the significant growth in the Saskatchewan economy, the Auto Fund is experiencing strong revenue growth as the number of vehicles has grown significantly in the province.
- The Auto Fund will be focusing on some important initiatives in 2009 including traffic safety, environmental stewardship.
- Work on the Auto Fund information system redevelopment continues, with the third and fourth of five releases being implemented in 2009.

Key Factors Affecting Performance

- Weather conditions (for example winter driving conditions and summer storm activity).
- Reinsurance protection is purchased to mitigate the effects of catastrophic events on the Rate Stabilization Reserve.
- Returns from capital markets have a significant impact on investment earnings and the Rate Stabilization Reserve balance.

ENTERTAINMENT

Comparison of 2008 Results with 2007 Results

- Prior to April 1, 2008, SGC was a Treasury Board Crown with a fiscal year from April 1 to March 31. On April 1st SGC was designated as a CIC Crown and its fiscal year was changed to January 1 to December 31. As a result, 2008 operations include the nine months of operations from April 1, 2008 to December 31, 2008.
- Prior to April 1, 2008, 50.0 per cent of SGC's net income was provided to the GRF, 25.0 per cent to the Community Initiatives Fund (CIF) and 25.0 per cent to First Nations Trust (FNT). Beginning April 1, the payment to CIF and FNT is now considered an expense item and is deducted in arriving at net income. With the transition of SGC to a CIC Crown the payment to the GRF is now available to CIC as a dividend payment, based on CIC's subsidiary dividend policy.
- Income increased from 2007 due to increased average daily guest counts which improved by 12.0 per cent in 2008 compared to 2007.
- SGC achieved a net operating income percentage of 41.4 per cent compared to 39.2 per cent in 2007.
- Debt was $28.4 million. No new debt was taken out in the 2008 year.
- Capital spending was $3.2 million. Spending focused on regular slot replacements and facilities renovations.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007/08 Actual	2006/07 Actual	2005/06 Actual	2004/05 Actual
Earnings	**$ 19.1M**	**$ 17.6M**	$ 43.8M	$ 34.9M	$ 29.2M	$ 39.4M
Total assets	**$ 82.0M**	**$ 74.2M**	$ 70.4M	$ 72.2M	$ 72.7M	$ 81.9M
Return on assets	**46.7%**	**47.5%**	62.2%	48.3%	40.2%	48.1%
Debt ratio	**45.8%**	**46.0%**	N/A[3]	N/A[3]	N/A[3]	N/A[3]
Dividends paid to CIC	**$ 15.3M**	**$ 14.1M**	N/A[4]	N/A[4]	N/A[4]	N/A[4]

[1] Nine months of operations - April 1, 2008 to December 31, 2008 after payment to the GRF on behalf of CIF and FNT.

[2] Twelve months of operations - April to March before any payments to the GRF.

[3] SGC retained no equity prior to April 1, 2008.

[4] Prior to April 1, 2008, SGC was a Treasury Board Crown Corporation, and as such, its results were not consolidated with CIC's.

Comparison of 2008 Results with Budget

- Net income was $1.5 million higher than the budget of $17.6 million due to a reduction in operating expenses primarily in marketing activities partially offset by higher than expected player win ratios.
- Net revenues were $1.2 million lower than the budget of $99.2 million due primarily to lower slot revenues, offset by increased food & beverage sales.
- Operating expenses were $4.2 million below the budget of $64.0 million due primarily to marketing related activities that did not proceed as originally planned, plus a reduction in amortization expense. A change in capitalization policy in the previous year resulted in fewer assets being amortized than what was included in budget.
- As a result of the above, gaming fees paid to the General Revenue Fund was above budget by $1.5 million.
- The dividend to CIC was $1.2 million higher than the budgeted dividend of $14.1 million due to the higher than anticipated net income.

CASINOS Regina & Moose Jaw

ENTERTAINMENT

2009 Outlook

- SGC expects continued growth in revenues and net income in 2009.
- SGC will be undertaking a property refresh in its Regina and Moose Jaw Casino's beginning in 2009 and completing in 2010, for a total capital expenditure of $14.1 million.
- SGC will continue to focus on guest service excellence, ensuring its facilities, employees and entertainment are meeting guest experience expectations.
- SGC will be implementing a corporate social responsibility strategy that incorporates Aboriginal and Saskatchewan procurement, the environment, community investment, and responsible gaming.
- SGC will focus on governance strategies; improving the corporate governance framework, the enterprise risk management framework and the information technology framework.
- SGC will continue to invest in its people and human resource practices by implementing a corporate-wide performance management and service excellence program to provide employees with the tools needed to be successful. The plan includes attraction and retention strategies to meet the needs of the business and move towards its 50.0 per cent Aboriginal representation target.

Key Factors Affecting Performance

- Economic environment which impacts the discretionary dollars available to consumers for entertainment.
- Increased competition.

Investment Saskatchewan INC.

INVESTMENT & ECONOMIC GROWTH

Comparison of 2008 Results with 2007 Results

- Net income of $691.0 million compared to net income of $11.5 million in 2007.
- The significant increase in earnings is attributable to a $679.8 million gain from the sale of Saskferco in the final quarter of 2008.
- Revenue of $893.0 million in 2008 was significantly higher than the $217.2 million reported in 2007 due to the gain on sale of Saskferco.
- Expenses of $164.1 million in 2008 decreased from $190.1 million reported in 2007. The 2007 results included expenses incurred by the operations of MLPLP's business for a portion of the year.
- Long term debt decreased to $59.2 million from $60.8 million at the end of 2007.
- Capital spending for property, plant and equipment of $0.3 million in 2008 is significantly lower than the $7.8 million experienced in 2007 due to reduced capital expenditures by consolidated entities.
- Investment disbursements of $21.4 million in 2008 are lower than $60.6 million reported in 2007 due to decreased new investment activity.
- The provision for environmental liabilities increased by $48.2 million in 2008 to $85.7 million compared to $37.5 million reported in 2007. The majority of this increase was due to the result of an independent engineering assessment which provided anticipated environmental remediation costs for the ERCO chemical site previously owned by PAPCO. Investment Saskatchewan is a successor corporation to PAPCO which was previously a separate Crown corporation.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	$ 691.0M	$ 46.2M	$ 11.5M	$ 72.9M	$ (87.7M)	$ 19.3M
Dividend declared to CIC	$ 543.0M	$ 14.0M	$ 10.3M	$ 59.1M	$ Nil	$ 42.3M
Total assets	$ 564.5M	$ 671.0M	$ 652.5M	$ 1,369.1M	$ 1,362.1M	$ 704.9M
ROE	210.0%	10.6%	2.4%	13.9%	(16.2%)	4.0%
Debt ratio	18.0%	10.6%	13.0%	9.1%	13.2%	10.6%

Comparison of 2008 Results with Budget

- Net income of $691.0 million was significantly higher than the $46.2 million budgeted, due to the unanticipated opportunity to sell Saskferco which occurred in the final quarter of 2008.
- Revenues of $893.0 million were significantly higher than the $204.6 million budgeted due to the gain on the sale of Saskferco.
- Expenses of $164.1 million were higher than the $153.5 million budgeted primarily due to increased operating costs at Big Sky Farms as a result of adverse market conditions which included a decrease in commodity prices and fluctuating currency exchange rates.
- Investments disbursements of $21.4 million in 2008 were lower than the $35.7 million budgeted due to reduced activity.

Investment Saskatchewan INC.

INVESTMENT & ECONOMIC GROWTH

2009 Outlook

- In 2009, Investment Saskatchewan expects to curtail its investment activity to $5.5 million for outstanding commitments agreed to prior to December 31, 2008. No new investment activity is anticipated.
- A final windup of the Centennial Foods Partnership is anticipated in 2009.
- Commodity prices for most investments are expected to remain low due to the current world-wide economic recession.
- If market conditions permit, Investment Saskatchewan Inc. expects to divest a number of direct investments in 2009.

Key Factors Affecting Performance

- The Corporation has several investments whose products are exposed to commodity markets. Valuation of these investments is closely tied to the underlying commodity prices.
- Changes in U.S./ Canadian exchange rates can significantly impact the value of a commodity. As well, variation in exchange rates can significantly impact investments that buy from or sell into the U.S. markets.
- The outcome of outstanding litigation issues could have an impact on the value of some investments.
- Valuation of environmental remediation liabilities may have a material impact on Investment Saskatchewan in the future.

SOCO

INVESTMENT & ECONOMIC GROWTH

Comparison of 2008 Results with 2007 Results

- Net Income of $5.1 million increased from $3.7 million in 2007.
- Revenues of $30.4 million were up from $25.4 million in 2007. The core rental operations remain strong with revenue increasing by over $4.4 million from 2007, with almost half of that increase related to the additional revenue generated by the Corporation's newest building in Saskatoon which was transferred to a rental asset on April 1, 2008. The remaining increase in rental revenue is the result of increased occupancy and related service revenue. The Bio Processing Centre had higher utilization in 2008 compared to 2007 resulting in increased revenue of $0.5 million.
- Expenses of $25.3 million were up from $21.7 million in 2007. This increase is due to additional operating expenses associated with its new building in Saskatoon and increased occupancy, as well as general increases in operating expenses. Administrative expenses for 2008 remained relatively unchanged from 2007, as expense increases were offset by the impact of vacant positions during the year; therefore, the ratio of administrative expenses to revenue decreased to 14.8 per cent down from the 17.8 per cent for 2007. There is also a combined increase of interest and depreciation of $1.4 million, which is directly related to increased capital investment.
- Investment in capital assets of $14.1 million decreased slightly from $15.9 million in 2007. The additional $5.7 million of debt acquired during 2008 is attributed to the construction of a new building in Regina.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	$ 5.1M	$ 3.2M	$ 3.7M	$ 4.9M	$ 5.5M	$ 6.1M
Total assets	$ 64.7M	$ 74.2M	$ 51.7M	$ 36.6M	$ 14.2M	$ 12.7M
Capital spending	$ 14.1M	$ 28.2M	$ 15.9M	$ 17.5M	$ 6.4M	$ 8.8M

Comparison of 2008 Results with Budget

- Earnings were $1.9 million higher than the $3.2 million budget.
- Revenues were $1.8 million higher than the $28.6 million budget.
- Expenses were on target with the budget of $25.3 million.
- Capital spending was $14.1 million below budget due to delays in approvals for budgeted new building projects.

2009 Outlook

- SOCO will continue to operate Saskatchewan's research parks to ensure quality infrastructure is in place to support and grow the technology sector in the province.
- SOCO will complete the construction of its newest building in Regina, 2 Research Drive.
- SOCO will consider various alternatives to traditional development in order to address high levels of demand.
- SOCO will continue to monitor the global economy and its potential impact on tenants.

Key Factors Affecting Performance

- Construction costs for new development.
- Interest rates on debt for new buildings.
- Demand for space versus the vacant space available.
- Market rental rates.
- The impact on tenants of current economic conditions.

STC
The Bus Company

TRANSPORTATION

Comparison of 2008 Results with 2007 Results

- Operating loss before grant funding of $8.5 million (2007 - $6.7 million loss) increased primarily due to increased wages and benefits, fuel costs, and security expenditures partially offset by increased express revenues.
- CIC provided grants of $15.2 million (2007 - $20.6 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were $16.3 million (2007 - $16.1 million). The increase is primarily due to a two per cent bus parcel express rate increase that took effect May 1, 2008, offset by reduced ridership and charter activity.
- Operating expenses of $24.7 million (2007 - $22.7 million) increased primarily due to higher wages and benefits, fuel costs, and security expenditures.
- Capital spending was $9.1 million (2007 - $16.3 million). The decrease is primarily due to completion of construction of the new Regina facility in 2008.

Key Financial Data

	2008 Actual	2008 Bus Plan	2007 Actual	2006 Actual	2005 Actual	2004 Actual
Earnings	**$ (0.8M)**	**$ (0.8M)**	$ (0.3M)	$ (0.4M)	$ (0.6M)	$ (0.1M)
Operating loss	**$ (8.5M)**	**$ (9.7M)**	$ (6.7M)	$ (5.7M)	$ (5.4M)	$ (4.7M)
Operating grant from CIC	**$ 6.2M**	**$ 7.0M**	$ 5.0M	$ 4.0M	$ 3.5M	$ 3.7M
Capital grant from CIC	**$ 9.0M**	**$ 9.0M**	$ 15.6M	$ 4.3M	$ 3.9M	$ 1.9M
Subsidy per mile	**$ 1.75**	**$ 1.80**	$ 1.40	$ 1.22	$ 1.23	$ 1.02

Comparison of 2008 Results with Budget

- Operating loss before grant funding was $1.2 million better than the $9.7 million budgeted loss primarily due to lower than expected operating and administration costs.
- Revenues were $0.2 million higher than the $16.1 million budget.
- Expenses were $1.1 million below the $25.8 million budget primarily due to savings in wages, benefits and occupancy costs offset by higher fuel costs.

2009 Outlook

- STC expects capital spending of $2.5 million in 2009, mainly for expenditures on fleet assets.
- STC does not anticipate significant changes to its routes, however options will be considered over the course of the year.
- Customer discount programs and other customer service enhancements will be undertaken to increase ridership.

Key Factors Affecting Performance

- Fluctuating fuel prices.
- Stagnant freight market.
- STC is experiencing fluctuating ridership levels. In 2008, ridership declined partially due to Greyhound security issues. STC continues to focus on its services and public awareness in order to increase ridership levels and revenues.

Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the consolidated financial statements, appears below.

Ron Styles - President & CEO

Blair Swystun, CFA - Senior Vice-President & CFO

March 31, 2009

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2008 and the consolidated statements of operations and retained earnings, comprehensive income, accumulated other comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 31, 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of dollars)	2008	2007
ASSETS		
Current		
Cash and cash equivalents (Note 1(e))	$ **878,051**	$ 847,486
Short-term investments (Note 3)	**740,011**	356,824
Accounts receivable (Note 4(d))	**563,578**	523,920
Derivative financial assets (Note 4)	**47,396**	38,436
Inventories (Note 5)	**385,566**	338,868
Prepaid expenses	**129,161**	121,155
Assets from discontinued operations (Note 6)	**14,403**	6,933
	2,758,166	2,233,622
Restricted cash and cash equivalents (Note 7)	**317,580**	46,266
Investments (Note 3)	**1,008,683**	1,164,715
Property, plant and equipment (Note 8)	**6,182,050**	5,952,302
Other assets (Note 9)	**314,291**	230,401
Long-term assets of discontinued operations (Note 6)	**8,878**	3,627
	$ **10,589,648**	$ 9,630,933
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	$ **32,643**	$ 29,082
Accounts payable and accrued liabilities	**543,045**	524,817
Derivative financial liabilities (Note 4)	**100,971**	50,580
Notes payable (Note 10)	**222,480**	140,484
Dividend payable to General Revenue Fund	**150,000**	200,000
Deferred revenue	**274,378**	244,075
Income taxes payable	**569**	8,092
Liabilities from discontinued operations (Note 6)	**9,006**	3,120
Long-term debt due within one year (Note 11)	**100,731**	490,520
	1,433,823	1,690,770
Long-term debt (Note 11)	**3,712,513**	3,226,998
Other liabilities (Note 12)	**823,225**	531,544
	5,969,561	5,449,312
Province of Saskatchewan's Equity		
Equity advances (Note 13)	**1,051,152**	1,181,152
Contributed surplus	**722**	605
Retained earnings	**3,583,683**	2,973,441
Accumulated other comprehensive (loss) income (Note 14)	**(15,470)**	26,423
	4,620,087	4,181,621
	$ **10,589,648**	$ 9,630,933

Commitments and contingencies (Note 15)
(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended December 31 (thousands of dollars)	2008	2007
REVENUE		
Sales of products and services	**$ 4,651,217**	$ 4,329,036
Investment (Note 3(f))	**173,758**	106,835
Other	**12,380**	16,299
	4,837,355	4,452,170
EXPENSES		
Operating costs other than those listed below	**3,630,696**	3,235,838
Interest (Note 16)	**244,997**	264,098
Depreciation and amortization	**493,190**	467,626
Saskatchewan taxes and fees (Note 17)	**128,577**	103,004
	4,497,460	4,070,566
Earnings before the following	**339,895**	381,604
Income tax recovery (Note 18)	**8,782**	7,036
Non-recurring items (Note 19)	**679,776**	(13,468)
Gain on sale - NewGrade Energy Inc. (Note 20)	**-**	250,090
Provision for environmental remediation liabilities (Note 12(a))	**(48,217)**	(24,077)
EARNINGS FROM CONTINUING OPERATIONS	**980,236**	601,185
(Loss) gain from discontinued operations (Note 6)	**(3,195)**	20,544
NewGrade Energy Inc. net earnings (Note 20)	**-**	74,607
NET EARNINGS	**977,041**	696,336
RETAINED EARNINGS, BEGINNING OF YEAR	**2,973,441**	2,471,351
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY (Note 1(c))	**(1,799)**	5,754
	3,948,683	3,173,441
DIVIDEND TO GENERAL REVENUE FUND	**(365,000)**	(200,000)
RETAINED EARNINGS, END OF YEAR	**$ 3,583,683**	$ 2,973,441

(See accompanying notes)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31 (thousands of dollars)		2008		2007
NET EARNINGS	**$**	**977,041**	$	696,336
Foreign currency translation adjustments		**1,948**		(3,057)
Unrealized (loss) gain on cash flow hedges		**(1,936)**		17,744
Unrealized (loss) gain on available-for-sale financial assets		**(43,169)**		8,036
Reclassification for realized losses (gains) on sale of investments included in operations		**1,264**		(9,613)
Other comprehensive (loss) income, net of income tax		**(41,893)**		13,110
COMPREHENSIVE NET INCOME	**$**	**935,148**	$	709,446

(See accompanying notes)

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the Year Ended December 31 (thousands of dollars)		2008		2007
Balance, beginning of year	**$**	**26,423**	$	13,313
Other comprehensive (loss) income, net of income tax		**(41,893)**		13,110
BALANCE, END OF YEAR (NOTE 14)	**$**	**(15,470)**	$	26,423

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31 (thousands of dollars)		2008		2007
OPERATING ACTIVITIES				
Net earnings	**$**	**977,041**	$	696,336
Items not affecting cash from operations (Note 21)		**(140,730)**		173,192
		836,311		869,528
Net change in non-cash working capital balances related to operations		**(83,211)**		95,928
Cash provided by operating activities from continuing operations		**753,100**		965,456
Cash used in NewGrade Energy Inc.		**-**		(33,757)
Cash provided by operating activities from discontinued operations		**710**		63,075
Cash provided by operating activities		**753,810**		994,774
INVESTING ACTIVITIES				
Purchase of investments		**(1,011,855)**		(1,213,659)
Proceeds from sale and collection of investments		**1,374,764**		1,162,823
Purchase of property, plant and equipment		**(720,982)**		(551,250)
Proceeds from sale of property, plant and equipment		**3,376**		26,536
Decrease (increase) in other assets		**1,390**		(35,891)
Cash used in investing activities		**(353,307)**		(611,441)
FINANCING ACTIVITIES				
Increase in notes payable		**81,996**		21,978
Increase (decrease) in other liabilities		**235,895**		(8,064)
Increase in restricted cash and cash equivalents		**(237,895)**		(36,631)
Debt proceeds from General Revenue Fund		**506,911**		183,680
Debt repayments to General Revenue Fund		**(441,001)**		(129,414)
Debt proceeds from other lenders		**6,572**		5,593
Debt repayments to other lenders		**(9,416)**		(16,683)
Sinking fund installments		**(33,727)**		(32,331)
Sinking fund redemptions		**62,548**		4,288
Repayment of equity advances (Note 13)		**(130,000)**		-
Dividend paid to General Revenue Fund		**(415,000)**		(167,000)
Cash used in financing activities		**(373,117)**		(174,584)
NET CHANGE IN CASH DURING YEAR		**27,386**		208,749
CASH POSITION, BEGINNING OF YEAR		**819,156**		610,407
CASH POSITION, END OF YEAR	**$**	**846,542**	$	819,156
Cash position consists of:				
Cash from continuing operations	**$**	**878,051**	$	847,486
Bank indebtedness from continuing operations		**(32,643)**		(29,082)
		845,408		818,404
Cash from discontinued operations (Note 6)		**1,134**		752
	$	**846,542**	$	819,156

(See accompanying notes)

1. Summary of Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP), within reasonable limits of materiality, using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and CIC Apex Equity Holdco Ltd.

Effective April 1, 2008, Saskatchewan Gaming Corporation was designated a CIC Crown corporation and has been consolidated as part of CIC's operations since that date.

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and released publicly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these financial statements:

Information Services Corporation of Saskatchewan (ISC)
Investment Saskatchewan Inc. (IS)
SaskEnergy Incorporated (SaskEnergy)
Saskatchewan Development Fund Corporation (SDFC)
Saskatchewan Gaming Corporation (SGC)
Saskatchewan Government Growth Fund Management Corporation (SGGFMC)
Saskatchewan Government Insurance (SGI)
Saskatchewan Opportunities Corporation (SOCO)
Saskatchewan Power Corporation (SaskPower)
Saskatchewan Telecommunications Holding Corporation (SaskTel)
Saskatchewan Telecommunications
Saskatchewan Transportation Company (STC)
Saskatchewan Water Corporation (SaskWater)

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's interest in jointly controlled enterprises included in these financial statements are as follows:

Apex Investment Limited Partnership	**60%**
Centennial Foods Partnership	**33%**
Cory Cogeneration Funding Corporation	**50%**
Cory Cogeneration Joint Venture	**50%**
Foragen Technologies Limited Partnership	**33%**
Heritage Gas Limited	**50%**
Kisbey Gas Gathering and Processing Facility	**50%**
Saskatchewan Entrepreneurial Fund Joint Venture	**45%**

1. Summary of Significant Accounting Policies (continued)

c) Changes in accounting policy

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted CICA Handbook Section 3031 - Inventories. The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior year results. Upon the adoption of the new standard, the Corporation began using the weighted average cost method for valuing all natural gas inventories. The impact of applying this change in accounting policy effective January 1, 2008 was as follows:

(thousands of dollars)		
Inventory	$	(5,986)
Property, plant and equipment		1,248
Total assets	$	(4,738)
Accounts payable and accrued liabilities	$	(2,939)
Retained earnings		(1,799)
Total liabilities and equity	$	(4,738)

d) Variable interest entities

The Corporation consolidates certain entities over which the Corporation does not have voting control. Such an entity is referred to as a variable interest entity ("VIE"). In general, the investors of consolidated variable interest entities have recourse only to the assets of those variable interest entities and do not have recourse to the Corporation except where the Corporation has provided a guarantee to the investors.

An entity is classified as a VIE if it has: equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties or; equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

1. Summary of Significant Accounting Policies (continued)

d) Variable interest entities (continued)

The Corporation has determined that the following entities fall under the classification of a VIE and have been consolidated in these financial statements:

Meadow Lake Pulp Limited Partnership (MLPLP)
212822 Saskatchewan Ltd.

MLPLP's and 212822 Saskatchewan Ltd.'s impact is not material to the Corporation's consolidated operating results.

e) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less. Included in cash and cash equivalents at December 31, 2008 was $788.1 million (2007 - $809.4 million) in short-term investments with a weighted average interest rate of 1.88 per cent (2007 - 4.22 per cent).

f) Inventories

Inventories for resale, including natural gas in storage held for resale, are valued at the lower of weighted average cost and net realizable value. Other supplies inventories are valued at the lower of average cost and net realizable value. In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Natural gas in storage held for resale is charged to inventory when purchased and expensed as sold. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

g) Deferred funding from the Province of Saskatchewan's General Revenue Fund (GRF)

Funding transferred to the Corporation from the GRF, restricted for carbon capture and storage demonstration projects, is initially recorded as restricted cash and cash equivalents. The Corporation has recorded a corresponding amount as deferred revenue which is included in other liabilities. As qualifying expenditures are made, the Corporation recognizes an equivalent amount of this funding in consolidated earnings and reduces restricted cash and cash equivalents and deferred revenue by the same amount.

h) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest costs associated with major capital and development projects are capitalized during the construction period at the effective interest rate of long-term borrowings in the current year. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When property, plant and equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions: natural gas utility operations apply this general policy only to complete asset units and, gains or losses on the disposal or retirement of incomplete asset units are included in accumulated depreciation.

Customer capital contributions related to the construction of new service connections are applied against property, plant and equipment and are amortized on a straight-line basis over the estimated service life of the related asset.

1. Summary of Significant Accounting Policies (continued)

i) Depreciation of property, plant and equipment

Depreciation is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated productive life of each asset as follows:

Machinery and equipment	2 - 50 years
Buildings and improvements	5 - 40 years
Coal properties and rights	30 years

j) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely, a reasonable estimate of fair value for the assets cannot be determined. Therefore, no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) expense on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in the consolidated statement of operations and retained earnings.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

k) Impairment of long-lived assets

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

l) Disposal of long-lived assets and discontinued operations

Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose. Assets and liabilities held for sale are reported separately on the statement of financial position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

1. Summary of Significant Accounting Policies (continued)

m) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites and are included in other liabilities. These liabilities are based on management's best estimate considering current environmental laws and regulations and have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

n) Other assets

Natural gas in storage

Natural gas in storage is stated at the lower of weighted average cost and net realizable value. Natural gas in storage is classified as other assets when purchased and expensed when used.

Deferred benefit pension asset

Deferred benefit pension asset represents the surplus in the defined benefit pension plans based on long-term assumptions. The deferred benefit pension asset is accounted for in accordance with the policy described in Note 1(t) - Employee future benefits.

Customer accounts

Finite-life intangible assets, including customer accounts, acquired individually, with a group of other assets or through the Corporation's authorized dealers, are recorded at cost. Customer accounts acquired are capitalized and amortized on a straight-line basis over an estimated useful life of 3 to 10 years from the date of acquisition.

Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a charge against earnings in the year impairment is recognized. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting units as if it was the purchase price. When the carrying amount of a reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations and retained earnings before earnings from continuing operations.

Indefinite-life intangible assets

Intangible assets with an indefinite life are not subject to amortization. These assets are tested annually for impairment to ensure that fair value is greater than or equal to carrying value. Any excess of carrying value over fair value is charged to earnings in the year in which the impairment is determined.

1. Summary of Significant Accounting Policies (continued)

o) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These unearned premiums are taken into income over the life of the policy.

p) Provision for unpaid insurance claims

The provision for unpaid insurance claims represents an estimate of the total cost of outstanding claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding claims plus paid losses is reported as claims incurred in the current year.

q) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recorded in the consolidated statement of operations and retained earnings upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership. Changes in the fair value of outstanding marketing sales contracts are recorded as gains or losses in the year of change.

Natural gas delivery and commodity

Delivery and commodity revenue is recognized when natural gas is delivered to customers. The estimate of natural gas delivered, but not billed, is included in revenue.

Natural gas transportation and storage

Revenue is recognized when transportation, transportation related services, and storage are provided to customers and the ultimate collection is reasonably assured. An estimate of transportation, storage and related services rendered, but not billed, is included in revenue.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to customers.

Telecommunications

Telecommunications revenues are recognized in the year the services are provided when there is clear proof that an arrangement exists, amounts are determinable, and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the year the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship.

Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the year service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

1. Summary of Significant Accounting Policies (continued)

q) Revenue recognition (continued)

Telecommunications (continued)

Revenues are earned through the sale of print and electronic telephone directory advertising, on-line advertising and advertising in agricultural publications. Advertising revenues are generally recognized, in accordance with the contractual terms with advertisers, on a monthly basis over the life of the print directory or electronic directory advertising commencing with the delivery or display date, respectively. Amounts billed in advance for directory advertising are deferred and recognized over the corresponding life of the directory.

Property registration

Land and personal property registry revenues are recognized when services are rendered.

Property and casualty insurance

Premiums written are taken into income over the terms of the related policies which are no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Investment income

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants, and clients.

r) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated using the rate of exchange in effect on the balance sheet date. Revenues, expenses, and non-monetary items resulting from transactions in foreign currencies are translated into Canadian dollars at rates in effect at the transaction date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of operations and retained earnings in the current year.

s) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading

Financial assets and financial liabilities that are designated as held-for-trading or purchased and incurred with the intention of generating profits in the near term, and are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking are classified as held-for-trading. The Corporation classifies cash and cash equivalents, restricted cash and cash equivalents, derivative financial assets and liabilities that do not qualify as a hedge and are not designated as a hedge, sinking funds, investments carried at fair value per Note 3, and bank indebtedness as held-for-trading. Subsequent to initial recognition, held-for-trading financial instruments are measured at fair value with revaluation gains and losses included in net earnings in the year in which the gains and losses arise.

1. Summary of Significant Accounting Policies (continued)

s) Financial instruments (continued)

Available-for-sale

The Corporation classifies certain investments as available-for-sale as disclosed in Note 3.

In cases where financial assets are classified as available-for-sale and carried at fair value, revaluation gains and losses related to changes in fair value are recorded in other comprehensive income until the asset is disposed of, at which time those gains and losses are recognized in net earnings.

Investments that are classified as available-for-sale and do not have an active market value are recorded at cost. Available-for-sale investments carried at cost are written down to fair value through net earnings whenever it is necessary to reflect other than temporary impairment. Gains and losses realized on disposal of cost-based available-for-sale securities, as calculated on an average cost basis, are recognized in net earnings.

Held-to-maturity

Financial assets classified as held-to-maturity have fixed or determinable payments, a fixed maturity, and the Corporation has the positive intention and ability to hold to maturity. The Corporation classifies certain investments as held-to-maturity as disclosed in Note 3. These financial assets are accounted for at amortized cost using the effective interest rate method. Amortized premiums or discounts and other than temporary losses due to impairment are included in net earnings.

Loans and receivables

The Corporation classifies as loans and receivables: accounts receivable, and loans and notes receivable investments as disclosed in Note 3. These financial assets are accounted for at amortized cost using the effective interest rate method.

Other liabilities

The Corporation classifies accounts payable and accrued liabilities, notes payable, dividend payable to the General Revenue Fund and long-term debt as other liabilities. These financial liabilities are accounted for at amortized cost using the effective interest rate method.

Derivatives and hedge accounting

Derivative financial instruments purchased and sold, where the contract requires delivery within an established time frame, are recognized as financial assets or financial liabilities on a trade-date basis.

At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Corporation also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risk in the fair values or cash flows of the hedged items.

When derivatives are designated as hedges, the Corporation classifies the hedges as:

(i) hedges of the change in fair value of recognized assets or liabilities or firm commitments (fair value hedges);
(ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge); or
(iii) hedges of net investments in a foreign operation (net investment hedges).

1. Summary of Significant Accounting Policies (continued)

s) Financial instruments (continued)

Fair value hedges

Certain of the Corporation's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated as fair value hedging instruments are recorded in the consolidated statement of operations and retained earnings, along with changes in the fair value of the assets, liabilities or groups thereof that are attributable to the hedged risk. Any gains or losses in fair value relating to the ineffective portion of the hedging relationship are recognized immediately in the consolidated statement of operations and retained earnings.

If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortized to the consolidated statement of operations and retained earnings based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognized in which case it is recognized in the consolidated statement of operations and retained earnings immediately.

Cash flow hedges

The Corporation is exposed to future interest expense cash flows on non-trading liabilities that bear interest at variable rates, and commodity price cash flows on inputs consumed in their operations. The amounts and timing of future cash flows, representing interest expense and input costs, are projected for each portfolio of financial liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments.

The Corporation uses hedge accounting for interest rate swaps used to hedge long-term debt and foreign currency forward contracts used to hedge capital expenditures denominated in a foreign currency and sales and purchases denominated in a foreign currency. Interest rate swaps and foreign currency forward contracts are designated as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of operations and retained earnings. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of operations and retained earnings in the year in which the hedged item is recognized.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedging instrument is recognized in the consolidated statement of operations and retained earnings.

Also, when an anticipated transaction is no longer probable, any cumulative gain or loss in other comprehensive income is recognized in the consolidated statement of operations and retained earnings.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of operations and retained earnings. Gains and losses accumulated in other comprehensive income are included in the consolidated statement of operations and retained earnings upon the repatriation or disposal of the investments in the foreign operation.

1. Summary of Significant Accounting Policies (continued)

s) Financial instruments (continued)

Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when: their economic characteristics and risks are not clearly and closely related to those of the host instrument; when the embedded derivative has the same terms as those of a stand-alone derivative and; the combined contract is not held-for-trading or designated at fair value. Embedded derivatives are measured at fair value with subsequent changes recognized in the consolidated statement of operations and retained earnings.

At December 31, 2008, the Corporation does not have any financial instruments with embedded derivatives that are required to be separately valued.

t) Employee future benefits

The Corporation has three defined benefit pension plans, a defined contribution pension plan, and other plans that provide retirement benefits for its employees. For its defined benefit plans, the Corporation has adopted the following policies:

i) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value, which approximates market value.
ii) Pension obligations are determined by independent actuaries using the projected benefit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
iv) Past service costs from plan amendments and the transitional asset are amortized on a straight-line basis over a period of time which is a blending of the expected average remaining service life of the active members and the future life expectancy of the pensioners.
v) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over a period of time which is a blending of the expected average remaining service life of the active members and the future life expectancy of the pensioners, or the plan assets are amortized over the remaining life of retired members of the plan.
vi) When the restructuring of a benefit plan results in a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also provides defined benefit service recognition plans for employees. The cost of the plan is determined using the projected benefit method prorated on service. The Corporation has a retiring allowance plan. The cost of future retirement allowance benefits earned by employees under this plan is actuarially determined using the projected benefit method and management's best estimates.

u) Measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and overhead; future income tax asset and liability; provision for unpaid claims; the carrying amounts of accounts receivable, inventory, investments, natural gas in storage, goodwill, and customer accounts; the accounting for variable interest entities, discontinued operations, fair value of financial instruments, and environmental remediation liabilities; and the carrying amounts of employee future benefits including underlying actuarial assumptions.

1. Summary of Significant Accounting Policies (continued)

u) Measurement uncertainty (continued)

The financial statements are based on management's best estimates using information available. Volatility in financial markets has complicated the estimation process due to the current economic decline and significant fluctuations in foreign exchange rates, and commodity prices. Accordingly, the inherent uncertainty involved in making estimates and assumptions may impact the actual results reported in future periods by a material amount.

v) Future accounting policy changes

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. This section also provides further information on the recognition of internally generated intangible assets (including research and development costs). As for the subsequent measurement of intangible assets and goodwill, as well as the disclosure thereof, Section 3064 carries forward the requirements of the old Section 3062, "Goodwill and Other Intangible Assets". The new section is effective for fiscal years beginning on or after October 1, 2008. The Corporation is currently assessing the impact of implementing this new section.

Rate regulated operations

The CICA has amended certain sections of the CICA Handbook to remove the rate regulation exemption for recognition of certain assets and liabilities arising from rate regulation as well as other recognition and measurement guidance. These changes are effective for year-ends beginning on or after January 1, 2009. The Corporation is currently assessing the impact of implementing these new recommendations.

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt IFRS in place of GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation has commenced an IFRS conversion project including initiating the development of a high-level IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable.

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993.**

The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Investments

(thousands of dollars)	2008	2007
SHORT-TERM INVESTMENTS		
Held-to-maturity	$ -	$ 2,049
Held-for-trading	**671,925**	306,627
Available-for-sale	**68,086**	48,148
	$ 740,011	$ 356,824
EQUITY INVESTMENTS		
Saskferco Products Inc. (Saskferco) (a)	$ -	$ 134,708
ML OSB Limited Partnership (b)	**27,700**	30,740
MRM Cogeneration Station (c)	**29,429**	30,065
Other share investments - Equity basis	**53,805**	53,051
	110,934	248,564
PORTFOLIO INVESTMENTS		
Share investments - Held-for-trading	**22,219**	12,603
Share investments - Available-for-sale	**157,255**	146,803
Share investments - Available-for-sale-cost	**44,199**	32,388
	223,673	191,794
BONDS, DEBENTURES, LOANS AND NOTES RECEIVABLE		
Bonds and debentures - Held-to-maturity	**2,645**	2,657
Bonds and debentures - Held-for-trading	**6,157**	4,908
Bonds and debentures - Available-for-sale	**296,874**	318,885
Loans and notes receivable	**39,214**	54,646
	344,890	381,096
LEASES RECEIVABLE	**3,625**	3,791
SINKING FUNDS (d) - Held-for-trading	**323,836**	337,400
OTHER - Held-for-trading	**1,725**	2,070
	$ 1,008,683	$ 1,164,715

3. Investments (continued)

a) On October 1, 2008, the Corporation completed the sale of its investment in Saskferco (Note 19 (a)). Prior to sale, the Corporation owned all of the outstanding 68,449,080 (2007 - 68,449,080) Class B common shares of Saskferco representing a 49.5 per cent (2007 - 49.5 per cent) voting interest.

b) The Corporation is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. The Corporation holds a 25.0 per cent voting interest in ML OSB (2007 - 25.0 per cent).

The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB; 10,000,000 of these options are segment one options expiring December 19, 2011 and 9,980,000 are segment two options which expired on October 1, 2008.

During the year the Corporation cancelled 1,872,220 of the segment one options held by Northwest Communities Holdings Inc. (NWC) as realization of security against the loan of $2.3 million to NWC which was in default. The exercise price on the remaining 8,127,780 segment one options is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest.

During the year 9,980,000 segment two options expired unexercised, however, 5,000,000 of these options were extended until October 1, 2009 with an increase in the floor price of the options.

c) The Corporation has a 30.0 per cent (2007 - 30.0 per cent) voting interest in the MRM Cogeneration Station. The 172 megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

d) The changes in the carrying amount of sinking funds are as follows:

(thousands of dollars)		2008		2007
Sinking funds, beginning of year	$	**337,400**	$	290,304
Net (redemptions) installments		**(28,821)**		28,043
Earnings		**17,746**		12,574
Valuation adjustment		**(2,489)**		6,479
Sinking funds, end of year	$	**323,836**	$	337,400

Sinking fund installments due in each of the next five years are as follows:

(thousands of dollars)		
2009	$	**35,470**
2010		**35,470**
2011		**33,770**
2012		**33,770**
2013		**33,270**

e) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

f) Included in investment revenue are earnings (losses) from equity investments as follows:

(thousands of dollars)		2008		2007
Saskferco	$	**69,404**	$	38,935
MRM Cogeneration Station		**6,536**		(1,749)
ML OSB Limited Partnership		**(5,397)**		(3,311)
Other		**(778)**		(5,665)
	$	**69,765**	$	28,210

4. Financial Risk Management

The Corporation is exposed to fluctuations in commodity prices including natural gas, electricity, hog sales and feed component purchases, foreign exchange rates and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

(thousands of dollars)		2008		2007	
Financial Instruments	Classification (i)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS					
Cash and cash equivalents	HFT	**$ 878,051**	**$ 878,051**	$ 847,486	$ 847,486
Accounts receivable	LAR	**563,578**	**563,578**	523,920	523,920
Derivative financial assets	HFT	**47,396**	**47,396**	38,436	38,436
Restricted cash and cash equivalents	HFT	**317,580**	**317,580**	46,266	46,266
Investments - amortized cost	HTM	**2,645**	**2,791**	4,706	4,706
Investments - sinking funds - fair value	HFT	**323,836**	**323,836**	337,400	337,400
Investments - fair value	HFT	**702,026**	**702,026**	326,208	326,208
Investments - cost	AFS	**44,199**	**(ii)**	32,388	(ii)
Investments - fair value	AFS	**522,215**	**522,215**	513,836	513,836
Investments -- loans	LAR	**39,214**	**(ii)**	54,646	(ii)
FINANCIAL LIABILITIES					
Bank indebtedness	HFT	**32,643**	**32,643**	29,082	29,082
Accounts payable and accrued liabilities	OL	**543,045**	**542,337**	524,817	524,817
Derivative financial liabilities	HFT	**100,971**	**100,971**	50,580	50,580
Notes payable	OL	**222,480**	**222,480**	140,484	140,484
Dividend payable to the GRF	OL	**150,000**	**150,000**	200,000	200,000
Long-term debt	OL	**3,813,244**	**4,505,983**	3,717,518	4,454,808

(thousands of dollars)		2008		2007	
Derivative Instruments	Classification (i)	Asset	(Liability)	Asset	(Liability)
Physical natural gas contracts	HFT	**$ 24,095**	**$ (12,604)**	$ 11,872	$ (15,298)
Natural gas price swaps	HFT	**18,929**	**(71,305)**	21,053	(18,153)
Natural gas price options	HFT	**3,903**	**(15,936)**	3,651	(16,718)
Physical electricity forwards	HFT	**388**	**(248)**	91	(134)
Electricity contracts for differences	HFT	**81**	**(321)**	41	-
Interest rate swaps	HFT	**-**	**(557)**	-	(54)
Foreign exchange forward contracts	HFT	**-**	**-**	-	(223)
Commodity forward contracts	HFT	**-**	**-**	1,728	-
		$ 47,396	**$ (100,971)**	$ 38,436	$ (50,580)

(i) Classification details are:
HFT - held-for-trading AFS - available-for-sale LAR - loans and receivables OL - other liabilities

(ii) The uncertainty and potentially broad range of fair values for Investments - cost (available-for-sale) and Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

4. Financial Risk Management (continued)

Fair Value of Financial Assets and Liabilities

Investments

Share investments - The fair value of publicly traded share investments is based on their quoted market values, based on the latest bid prices.

Bonds and debentures - The fair value of bonds and debentures is determined based on quoted market values, based on the latest bid prices.

Sinking funds

The fair value of the investments held in sinking funds is based on their quoted market values.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Derivative financial assets and liabilities

The fair value of physical natural gas contracts is based on quoted market values. The fair value of natural gas price swaps is based on quoted market values or calculated using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from counterparties. The fair value of natural gas price options is either based on estimates provided by financial counterparties or determined using the Garman-Kohlhagen model which requires the use of various assumptions, including quoted market values, interest rates and volatility estimates for forward natural gas prices obtained from external sources. Where contract prices are referenced to an index price that has not been fixed, the market price has been used to estimate the contract price.

The fair value of electricity related derivatives, commodity contracts, interest rate swaps and foreign exchange contracts is based on quoted market values.

Other financial assets and liabilities

The carrying value of other financial assets and liabilities including: cash and cash equivalents; short-term investments; accounts receivable; restricted cash and cash equivalents; bank indebtedness; accounts payable and accrued liabilities; notes payable and; dividend payable to the GRF, approximates fair value due to their immediate or short-term maturity.

Unrealized Gains (Losses) on Financial Instruments

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net earnings as either sales of products and services or operating costs. The impact of unrealized gains (losses) on net earnings is as follows:

(thousands of dollars)		2008		2007
Sales of products and services	**$**	**28,706**	$	12,420
Operating costs		**(84,064)**		(1,004)
(Decrease) increase in net earnings	**$**	**(55,358)**	$	11,416

4. Financial Risk Management (continued)

a) Commodity price risk management

Power generation

The Corporation is exposed to natural gas price risk through gas purchased for its gas-fired power plants and through certain power purchase agreements which have a cost component based on the market price of natural gas. As at December 31, 2008, the Corporation had entered into financial natural gas contracts to hedge approximately 45 per cent of its forecasted natural gas purchases for 2009, 6 per cent for 2010 and 2 per cent for 2011.

Based on the Corporation's December 31, 2008 closing positions on its natural gas hedges a $1 dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $20.0 million increase in the unrealized market value losses recognized in net earnings in the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of December 31, 2008.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. The Corporation does not believe that the impact of fluctuations in electricity prices on outstanding electricity trading contracts will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings.

Natural gas sales

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation uses for price risk management include natural gas price swaps, options, swaptions and futures contracts. Based on the Corporation's December 31, 2008 closing positions, an increase of $1 per GJ in natural gas prices would increase net earnings by $7.0 million, while a decrease of $1 per GJ would decrease net earnings by $7.0 million.

Hog marketing

The Corporation is exposed to price risk on future hog sales and feed component purchases. The hog industry has periods of high price volatility. This volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME). The Corporation does not believe that the impact of fluctuations in hog market prices will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings.

b) Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at December 31, 2008 was $117.4 million ($2007 - $91.8 million). The following table indicates the approximate change that would be expected to impact both other comprehensive income and accumulated other comprehensive income based on changes in the Corporation's benchmark indices at December 31, 2008 (thousands of dollars):

Change in Equity Benchmarks	10% Increase	10% Decrease
S & P / TSX Composite Index	$ 6,534	$ (6,534)
S & P 500 Index	2,953	(2,953)
MSCI EAFE Index	2,251	(2,251)

4. Financial Risk Management (continued)

b) Market risk (continued)

The Corporation has on deposit with the GRF, under the administration of the Ministry of Finance, $323.8 million (2007 - $337.4 million) in sinking funds which is required for certain long-term debt issues. At December 31, 2008 the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments is considered low. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be material and, therefore, has not provided a sensitivity analysis of the impact on net earnings or other comprehensive income.

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, other than those listed, to offset interest rate risk as of December 31, 2008. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net earnings as substantially all of the Corporation's debt is at fixed rates at December 31, 2008.

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds, debentures, and mortgage investments. Duration is a measure used to estimate the extent market values of fixed income investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease other comprehensive income and accumulated comprehensive income by $15.2 million at December 31, 2008.

c) Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk. The credit risk relates to accounts receivable and unbilled revenue, money market investments, interest receivable, debentures, loans and other advances and counterparties to financial hedges and commodity transactions. Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.

In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions. The carrying amount of financial assets represents the maximum credit exposure as follows:

(thousands of dollars)	2008	2007
Cash and cash equivalents	$ 878,051	$ 847,486
Short-term investments	740,011	356,824
Accounts receivable	563,578	523,920
Derivative financial assets	47,396	38,436
Restricted cash and cash equivalents	317,580	46,266
Investments-held-to-maturity	2,645	2,657
Investments-held-for-trading	353,937	356,981
Investments-available-for-sale	498,328	498,076
Investments-loans and receivables	39,214	54,646
Leases receivable	3,625	3,791
	$ 3,444,365	$ 2,729,083

4. Financial Risk Management (continued)

d) Credit risk (continued)

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows:

(thousands of dollars)		2008		2007
Allowance for Doubtful Accounts				
Opening Balance	$	**12,935**	$	15,077
Less: Accounts written-off and other		**(19,654)**		(20,255)
Recoveries		**7,836**		7,722
Provision for losses		**16,930**		10,391
Ending Balance	$	**18,047**	$	12,935
Accounts Receivable				
Current	$	**455,694**	$	410,388
30-59 Days		**23,285**		29,640
60-90 Days		**68,771**		78,443
Greater than 90 Days		**33,875**		18,384
Gross accounts receivable		**581,625**		536,855
Allowance for doubtful accounts		**(18,047)**		(12,935)
Net accounts receivable	$	**563,578**	$	523,920

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Where necessary the Corporation can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

4. Financial Risk Management (continued)

e) Liquidity risk (continued)

The following summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2008:

(thousands of dollars)		Contractual Cash Flows					
	Carrying Amount	Total	0 - 6 Months	7 - 12 Months	1 - 2 Years	3 - 5 Years	More than 5 Years
Long-term debt (i)	$ 3,813,244	$ 8,121,441	$ 97,184	$ 169,900	$ 443,432	$ 887,684	$ 6,523,241
Accounts payable and accrued liabilities	543,045	543,045	543,045	-	-	-	-
Derivative financial liabilities	100,971	293,368	222,536	70,832	-	-	-
Other liabilities (ii)	713,522	713,576	491,513	53,649	42,971	65,341	60,102
	$ 5,170,782	$ 9,671,430	$ 1,354,278	$ 294,381	$ 486,403	$ 953,025	$ 6,583,343

i) Contractual cash flows for long-term debt include principal and interest payments but exclude sinking fund installments.

ii) Other liabilities include bank indebtedness, notes payable, dividend payable to the GRF, provision for unpaid insurance claims (Note 12) and premium taxes payable and amounts due to reinsurers which are included in other liabilities in Note 12.

The Corporation anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

5. Inventories

(thousands of dollars)	2008	2007
Raw materials	**$ 146,612**	$ 144,876
Natural gas in storage held for resale	**198,956**	149,305
Finished goods	**6,603**	7,128
Work-in-progress	**33,395**	37,559
	$ 385,566	$ 338,868

During 2008, $959.0 million of natural gas in storage held for resale and $416.1 million of raw materials inventory were consumed.

6. Discontinued Operations

DirectWest Canada Inc.

During the fourth quarter of 2008, the Corporation approved a plan whereby the operations of its wholly-owned subsidiary DirectWest Canada, Inc. will be divested. As a result, the Corporation has classified the operating results of DirectWest Canada Inc. as discontinued operations in 2008.

Big Sky Farms Inc. (Big Sky)

During the year specific assets identified within the operations of Big Sky were classified as held for resale.

6. Discontinued Operations (continued)

Assets held for disposal relating to discontinued operations are comprised of the following:

(thousands of dollars)		2008		2007
Cash	$	1,134	$	752
Accounts receivable		8,623		995
Prepaid expenses		4,283		3,635
Long-term assets classified as current		363		1,551
		14,403		6,933
Property, plant and equipment		7,643		2,185
Other assets		1,235		1,442
		8,878		3,627
	$	23,281	$	10,560

Obligations held for disposal relating to discontinued operations are comprised of the following:

(thousands of dollars)		2008		2007
Accounts payable and accrued liabilities	$	5,999	$	2,034
Long-term liabilities classified as current		3,007		1,086
	$	9,006	$	3,120

The impact of discontinued operations on consolidated earnings is comprised of the following:

(thousands of dollars)		2008		2007
Revenue	$	7,457	$	60,915
Expenses		(9,537)		(62,589)
		(2,080)		(1,674)
(Loss) gain on sale of discontinued operations		(1,115)		22,218
(Loss) gain from discontinued operations (a)	$	(3,195)	$	20,544

(a) Discontinued operations in the prior year include revenues, expenses and gain on sale related to the divestiture of Crown Life Insurance Company and Centennial Foods Partnership.

7. Restricted Cash and Cash Equivalents

At December 31, 2008 the Corporation had $317.6 million (2007 - $46.3 million) in cash and cash equivalents restricted for use. Restricted cash and cash equivalents includes the following:

a) $237.9 million (2007 - $Nil) of unspent funding transferred to the Corporation from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects. For the year ended December 31, 2008, $2.1 million of expenditures have been made on qualifying projects (Note 12);

b) $40.6 million (2007 - $41.5 million) in cash held by the receiver of Meadow Lake Pulp Limited Partnership which is subject to the order of the Court of Queen's Bench of Saskatchewan;

c) $36.7 million (2007 - $Nil) of cash held in escrow, including $0.3 million in interest, related to the sale of Saskferco (Note 19(a));

d) $2.4 million (2007 - $Nil) of cash held in escrow, related to the sale of Centennial Foods Partnership; and

e) $Nil (2007 - $4.8 million) of cash held in margin accounts to fund hedging programs.

8. Property, Plant and Equipment

(thousands of dollars)	2008 Cost	2008 Accumulated Depreciation	2008 Net Book Value	2007 Net Book Value
Machinery and equipment	$ 10,169,187	$ 5,277,888	$ 4,891,299	$ 4,816,783
Buildings and improvements	1,571,642	769,168	802,474	691,692
Plant under construction	364,907	-	364,907	303,540
Land, coal properties and rights	184,001	60,631	123,370	140,287
	$ 12,289,737	$ 6,107,687	$ 6,182,050	$ 5,952,302

During the year the Corporation recorded a long-lived asset impairment of $Nil (2007 - $15.8 million) which has been included in accumulated depreciation. Included in accumulated depreciation is $486.5 million (2007 - $445.9 million) of current year depreciation expense on property, plant and equipment.

9. Other Assets

(thousands of dollars)	2008	2007
Accrued pension asset (Note 25)	$ 109,954	$ 89,397
Intangible assets - indefinite life (a)	65,981	-
Natural gas in storage	35,021	36,283
Customer accounts acquired	31,234	28,289
Goodwill	23,030	18,841
Deferred supply agreements	15,441	20,004
Future income tax asset (Note 18)	3,720	3,858
Other deferred charges	29,910	33,729
	$ 314,291	$ 230,401

Amortization of customer accounts acquired for the year ended December 31, 2008 was $6.7 million (2007 - $5.9 million) and is expensed as part of operating costs.

(a) Intangible assets - indefinite life consist of advanced wireless service and personal communications service spectrum within the Province of Saskatchewan acquired in 2008.

10. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an effective interest rate of 1.35 per cent (2007 - 3.89 per cent).

11. Long-Term Debt

(thousands of dollars)	2008 Principal Outstanding	2008 Effective Interest Rate	2007 Principal Outstanding	2007 Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1 - 5 years	**$ 382,554**	**6.86**	$ 722,238	7.85
6 - 10 years	**271,618**	**4.58**	318,767	5.89
11 - 15 years	**785,689**	**9.88**	785,688	9.88
16 - 20 years	**178,800**	**8.74**	178,800	8.71
21 - 25 years	**820,000**	**6.00**	520,000	6.13
26 - 30 years	**648,684**	**5.14**	925,000	5.35
31 plus years	**525,000**	**4.72**	100,000	4.49
Total due to GRF	**3,612,345**		3,550,493	
B. Other long-term debt				
(due 2009 to 2026)	**184,966**	**7.04**	152,990	6.51
	3,797,311		3,703,483	
Unamortized debt premium	**15,933**		14,035	
	3,813,244		3,717,518	
Due within one year	**(100,731)**		(490,520)	
TOTAL LONG-TERM DEBT	**$ 3,712,513**		$ 3,226,998	

Principal repayments due in each of the next five years are as follows:

(thousands of dollars)	
2009	**$ 100,731**
2010	**184,229**
2011	**24,336**
2012	**61,339**
2013	**118,887**

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF.

12. Other Liabilities

(thousands of dollars)		2008		2007
Provision for unpaid insurance claims	$	**287,103**	$	285,567
Deferred funding from the GRF (Note 7(a))		**237,895**		-
Environmental remediation liabilities (a)		**148,928**		102,643
Asset retirement obligation (b)		**61,305**		42,150
Management supplemental pension plans		**20,991**		20,957
Non-controlling interest		**19,144**		27,472
Deferred income		**11,072**		12,065
Future income tax liability (Note 18)		**1,574**		12,075
Other liabilities		**35,213**		28,615
	$	**823,225**	$	531,544

a) Provision for Environmental Remediation Liabilities

The following are included in the provision for environmental remediation liabilities:

i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation accrued $2.3 million in 2008 (2007 - $23.3 million) for a total of $25.6 million (2007 - $23.3 million), to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and the Province of Saskatchewan for environmental remediation liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO.

ii) The Corporation accrued $45.9 million in 2008 (2007 - $0.8 million) for a total of $60.1 million (2007 - $14.2 million), to carry out the clean-up activities related to an indemnity provided by PAPCO and the Province of Saskatchewan for environmental remediation liabilities predating 1986 relating to the ERCO Chemical Plant.

b) Asset retirement obligation

The Corporation has estimated the future cost of decommissioning certain electrical and natural gas facilities. For purposes of estimating the fair value of these obligations, it is assumed that these costs will be incurred between 2009 and 2016 for natural gas facilities and 2009 and 2045 for electric facilities. The undiscounted cash flows required to settle the obligations total $186.0 million (2007 - $137.0 million). Credit adjusted risk-free rates between 3.2 per cent and 6.4 per cent were used to calculate the discounted carrying value of the obligation. No funds have been set aside by the Corporation to settle this liability.

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

(thousands of dollars)		2008		2007
Asset retirement obligation, beginning of year	$	**42,150**	$	38,662
Liabilities incurred		**16,086**		1,570
Liabilities removed		**(9)**		(184)
Accretion expense		**3,078**		2,102
Asset retirement obligation, end of year	$	**61,305**	$	42,150

13. Equity Advances and Capital Disclosures

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF. During 2008, the Corporation repaid $130.0 million in equity advances to the GRF.

Due to its ownership structure, the Corporation has no access to capital markets for internal equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to the GRF are determined through the Saskatchewan Provincial budget process on an annual basis.

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the year.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the CIC Crown sector. The target ratio for 2008 was 53.0 per cent.

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

The Corporation made no changes to its approach to capital management during the year.

The debt ratio is as follows:

(thousands of dollars)		2008		2007
Total debt (a)	$	**4,035,724**	$	3,858,002
Less: Sinking funds (Note 3)		**(323,836)**		(337,400)
Net debt		**3,711,888**		3,520,602
Equity (b)		**4,635,557**		4,155,198
Capitalization	$	**8,347,445**	$	7,675,800
Debt ratio		**44.5%**		45.9%

a) Total debt includes long-term debt, long-term debt due within one year and notes payable.

b) Equity includes equity advances, contributed surplus and retained earnings.

14. Accumulated Other Comprehensive (Loss) Income

(thousands of dollars)		2008		2007
Foreign currency translation adjustments	$	(2,841)	$	(5,369)
Unrealized losses on cash flow hedges		-		(369)
Unrealized (losses) gains on available for sale financial assets		(11,179)		30,726
Unrealized losses on interest rate swaps		(1,450)		-
Unrealized gains on natural gas hedges in prior years		-		1,435
	$	(15,470)	$	26,423

15. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2008:

a) The Corporation has committed to provide $78.8 million (2007 - $100.9 million) in loans and equity for investment in Saskatchewan business.

b) The Corporation has a $5.0 million (2007 - $5.0 million) U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

c) The Corporation has entered into power purchase agreements expected to cost $6,194.0 million (2007 - $5,634.0 million) until 2028 and provide approximately 469 MW of generating capacity.

d) At 2008 prices, the Corporation has forward commitments of $1,496.0 million (2007 - $1,636.0 million) extending until 2024 for future minimum coal deliveries.

e) As at December 31, 2008, the Corporation has committed to spend $964.0 million (2007 - $500.5 million) on capital projects.

f) The Corporation has issued letters of credit in the amount of $50.3 million (2007 - $57.5 million).

g) The Corporation has entered into contracts to purchase natural gas expected to cost $94.9 million (2007 - $89.4 million) based on forward market prices until 2011.

h) The Corporation has guaranteed $13.2 million (2007 - $7.0 million) of energy savings to various customers. These guarantees are mitigated by third party guarantees to the Corporation.

i) The Corporation has committed to 2009 electricity sales of $15.2 million (2007 - $5.0 million) and 2009 electricity purchases of $11.2 million (2007 - $4.5 million).

j) Subject to certain conditions, the Corporation has agreed to make annual payments of $2.6 million to the Regina Exhibition Association until 2027 and $0.4 million to the Moose Jaw Exhibition Company Ltd. until 2028, as compensation for the loss of gaming income caused by the operation of Casino Regina and Casino Moose Jaw respectively.

k) The Corporation has committed to fund TransCanada Energy Inc. a forgivable loan up to $26.0 million. To December 31, 2008, $5.9 million (2007 - $Nil) has been funded. The funding is expected to occur through June, 2010, and provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstock.

15. Commitments and Contingencies (continued)

l) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with Extendicare Inc., and the Directors and certain Officers of Crown Life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2 per cent of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity was limited to the dividend plus 10.0 per cent of $32.1 million and terminates on April 1, 2010. The amount of the indemnity is to a maximum of $5.0 million.

m) On August 9, 2004, a proceeding under the **Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the Plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Plaintiffs renewed their application for certification and the renewed application was heard in June of 2007. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only. The Corporation, together with all other defendants in the proceedings, have filed motions with the Saskatchewan Court of Appeal seeking leave to appeal the decision of the court certifying the action as a class action.

The Corporation's leave to appeal application is presently before the Court of Appeal. No specific date has been set for the hearing of that application. The application has been adjourned pending two motions that need to be decided before the Corporation's application for leave to appeal can be heard. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding.

n) On March 20, 2007, R.L.T.V. Investments Inc. brought a lawsuit against the Corporation, and several current and former officers and employees of the Corporation. The lawsuit includes allegations that the Corporation wrongfully obtained its Multipoint Communications System (MCS) license in Saskatchewan and is legally responsible for the failure of Image Wireless Communications Inc. as a consequence of the alleged breach of contract, intentional interference with trade or business, deceit, misrepresentation and breach of the **Competition Act.** The Plaintiff claims damages in excess of $87.0 million. The Corporation believes that it has strong defenses to the allegations and a motion to strike all claims against the defendants was heard on September 25, 2007. The court struck the lawsuit in its entirety and the Plaintiff's appeal of the decision to the Saskatchewan Court of Appeal was heard on November 20, 2008 with the decision to be given at a later date.

o) On June 26, 2008, a proceeding under the **Class Actions Act** (Saskatchewan) was brought against several Canadian wireline, wireless, and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made. External legal counsel has been retained by the Corporation to handle this matter.

15. Commitments and Contingencies (continued)

p) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference took place on dates in the second quarter and fourth quarter of 2008. The trial is expected to take place in 2009. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

q) In 1998, one of the Corporation's subsidiaries entered into a twelve year hog supply agreement with Maple Leaf Foods (MLF) whereby MLF will purchase up to 85 per cent of the subsidiary's hog production to a total of 355,000 hogs per year. In addition, MLF has the first right of refusal on an additional 145,000 hogs to a total of 500,000 market hogs.

The price to be paid by MLF will be determined based on the sale of the subsidiary's remaining hogs on a bona fide, arm's length, commercial basis.

r) Including the above, the Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

16. Interest Expense

(thousands of dollars)		2008		2007
Interest on long-term debt	$	**247,515**	$	264,638
Foreign exchange losses (gains)		**(243)**		379
Amortization of deferred financing costs		**439**		795
		247,711		265,812
Less:				
Interest capitalized		**(6,926)**		(8,362)
Long-term debt interest expense		**240,785**		257,450
Short-term debt interest expense		**4,212**		6,648
	$	**244,997**	$	264,098

Interest paid during the year, on a cash basis, was $262.0 million (2007 - $267.7 million).

17. Saskatchewan Taxes and Fees

(thousands of dollars)		2008		2007
Grants in lieu of taxes to municipalities	$	**49,249**	$	45,810
Saskatchewan capital tax		**40,017**		37,801
Gaming fees		**19,152**		-
Insurance premium tax		**14,280**		13,367
Other		**5,879**		6,026
	$	**128,577**	$	103,004

18. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows:

(thousands of dollars)		2008		2007
Net earnings (loss) before income taxes from taxable subsidiaries	**$**	**14,777**	$	(16,304)
Computed tax expense (recovery) based on the combined rate	**$**	**6,466**	$	(5,624)
(Decrease) increase resulting from:				
Earnings not subject to taxation		**(13,472)**		(71)
Adjustment to future tax assets for enacted changes in tax laws and rates		**(1,014)**		501
Valuation allowance		**-**		(1,896)
Other		**(762)**		54
Total income tax recovery	**$**	**(8,782)**	$	(7,036)
Income tax recovery consists of:				
Future income tax recovery	**$**	**(9,455)**	$	(8,036)
Current income tax expense		**673**		1,000
	$	**(8,782)**	$	(7,036)

The tax effects of temporary differences that give rise to significant portions of the future income tax asset and future income tax liability:

(thousands of dollars)		2008		2007
Future income tax asset:				
Non-capital loss carry forwards	**$**	**1,620**	$	1,993
Other		**2,100**		1,865
Future income tax asset	**$**	**3,720**	$	3,858
Future income tax liability:				
Property, plant and equipment - differences in net book value and undepreciated capital cost	**$**	**467**	$	2,028
Other		**1,107**		10,047
Future income tax liability	**$**	**1,574**	$	12,075

19. Non-Recurring Items

Non-recurring items include the following:

(thousands of dollars)		2008		2007
Gain (loss) on:				
Saskferco (a)	**$**	**679,776**	$	-
Big Sky (b)		**-**		(15,000)
Service agreement (c)		**-**		1,532
	$	**679,776**	$	(13,468)

19. Non-Recurring Items (continued)

a) On October 1, 2008, the Corporation sold its 49.5 per cent interest in Saskferco for net proceeds of $816.9 million resulting in a gain of $679.8 million. The Corporation received $782.5 million in cash during the year from the sale with the remaining $36.4 million plus interest held in escrow until 2009 pending escrow adjustments and payment of other fees of $2.0 million.

b) In 2007, due to the low commodity prices and high feed cost environment in the North American hog industry, and the uncertainty of the Canadian hog industry, the Corporation recognized an impairment of goodwill and long-lived assets of its hog operations totaling $25.8 million. This resulted in a write-down of goodwill of $7.6 million, property, plant and equipment of $15.8 million and other assets of $2.4 million related to these operations. The net effect on 2007 earnings after income taxes and non-controlling interest was $15.0 million.

c) During 1998, the Corporation issued an insurance policy to a vehicle rental company (the rental company). The policy provided bodily injury liability coverage on the rental company's vehicles being driven by its customers. The rental company paid the Corporation an annual premium under this policy between $100.0 thousand to $120.0 thousand. At the same time, the Corporation made an agreement that allowed the rental company to settle and pay all claims submitted by its customers. Because the insurance coverage was in the name of the Corporation, the rental company was required to report quarterly to the Corporation on the status of all reported claims and the provision for unpaid claims. As security to guarantee the provision for unpaid claims, a trust account was to be maintained in an amount that would meet the funding of the outstanding liabilities related to the policy.

The agreement with the rental company expired on March 31, 2005. Subsequent to the expiration of the contract, the rental company filed for voluntary receivership. During the receivership proceedings, it was determined that the rental company had not reported claims correctly to the Corporation, nor had it deposited the correct amounts in the trust account. The Corporation has since collected the balance held in the trust account of $1.2 million. Review of the outstanding claims resulted in a reduction of $Nil ($2007 - $1.5 million) to the provision for unpaid claims and has been included in the consolidated statement of operations and retained earnings.

The Corporation has commenced legal action against certain parties to recover the shortfall.

20. NewGrade Energy Inc.

On September 5, 2007, the Corporation announced that it had reached an agreement with a third party to purchase the Corporation's 50.0 per cent interest in NewGrade Energy Inc. (NewGrade) for $325.0 million plus cash surplus on NewGrade's 2007 earnings. This agreement was subject to Consumers' Co-operative Refineries Ltd.'s (CCRL) right of first refusal. On September 26, 2007 CCRL notified the Corporation that it would purchase the Corporation's interest in NewGrade. On November 1, 2007 the Corporation completed the sale of NewGrade which resulted in net proceeds of $383.1 million, generating a gain on sale of $250.1 million.

Due to the sale of NewGrade, the Corporation removed NewGrade's results from its ongoing operations as follows:

(thousands of dollars)	2008	2007
Statement of operations		
Revenues	$ -	$ 884,855
Expenses	-	810,248
Net earnings	-	74,607
Statement of cash flows		
Cash provided by operating activities	$ -	$ 52,037
Cash used in investing activities	-	(1,314)
Cash used in financing activities	-	(10,144)

21. Consolidated Statement of Cash Flows

(thousands of dollars)		2008		2007
Items Not Affecting Cash from Operations				
Depreciation and amortization	**$**	**493,190**	$	467,626
Future income tax recovery (Note 18)		**(9,455)**		(8,036)
Sinking fund earnings (Note 3(d))		**(17,746)**		(12,574)
Earnings from equity investments (Note 3(f))		**(69,765)**		(28,210)
Loss (gain) from discontinued operations (Note 6)		**3,195**		(20,544)
Gain on sale of NewGrade (Note 20)		**-**		(250,090)
Gain on sale of Saskferco (Note 19)		**(679,776)**		-
Provision for environmental remediation liabilities (Note 12(a))		**48,217**		24,077
Unrealized losses (gains) on financial instruments (Note 4)		**55,358**		(11,416)
Other non-cash items		**36,052**		12,359
	$	**(140,730)**	$	173,192

22. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows:

(thousands of dollars)		
2009	**$**	**50,125**
2010		**45,459**
2011		**33,530**
2012		**29,457**
2013		**20,896**
Thereafter		**3,725**
	$	**183,192**

23. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(millions of dollars)		2008		2007
Accounts receivable	**$**	**9.0**	$	10.3
Prepaid expenses		**-**		7.1
Accounts payable and accrued liabilities		**13.6**		67.8
Deferred revenue		**10.2**		11.5
Sales of products and services		**190.2**		136.5
Operating costs		**183.6**		144.1

During 2008, the Corporation received $240.0 million (2007 - $7.0 million) in grants from the GRF. At December 31, 2008 the Corporation held $6.7 million (2007 - $4.0 million) in Government of Saskatchewan bonds. In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

24. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Cory Cogeneration Fund Corporation, Cory Cogeneration Joint Venture, Foragen Technologies Limited Partnership, Heritage Gas Limited, Apex Investment Limited Partnership, Kisbey Gas Gathering and Processing Facility, and Saskatchewan Entrepreneurial Fund Joint Venture. The Corporation's pro-rata share of its interest in these joint ventures is as follows:

(thousands of dollars)	2008	2007
Current assets	**$ 8,564**	$ 15,896
Long-term assets	**199,972**	169,400
Current liabilities	**10,063**	19,190
Long-term liabilities	**79,008**	82,516
Revenue	**42,861**	30,103
Expenses	**30,098**	24,131
Net earnings	**12,763**	5,972
Cash provided by operating activities	**9,330**	5,475
Cash used in investing activities	**(18,010)**	(17,735)
Cash (used in) provided by financing activities	**(1,779)**	1

25. Employee Future Benefits

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership. Separate audited financial statements for each plan are prepared and released publicly. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskPower and SGI plan assets are amortized over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners. For the SaskPower plan, the service life period was calculated at 2.6 years, while for the SGI plan, it was calculated at 3.0 years. For the SaskTel defined benefit plan, the excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskTel plan is amortized over the average remaining life of retired members of the SaskTel plan. At SaskTel, the remaining life of retired members was calculated as a weighted average of 22.0 years. SaskPower's last valuation was at September 30, 2008. Accordingly, the significant turmoil affecting capital markets since September 30, 2008, is not reflected in either the 2008 funded status of the SaskPower plan or the 2008 pension expense at the end of the fiscal year. The results from the latest valuations for SaskTel and SGI are projected to December 31, 2008.

25. Employee Future Benefits (continued)

The major assumptions used in the valuations are as follows:

Economic assumptions	2008		
	SaskTel	**SGI**	**SaskPower**
Discount rate - end of year	**7.50%**	**7.50%**	**6.25%**
Expected return on plan assets	**6.75%**	**6.25%**	**6.75%**
Inflation rate	**2.50%**	**2.50%**	**2.50%**
Expected salary increase	**3.00%**	**3.50%**	**3.50%**
Post-retirement index	**100% of CPI**	**50% of CPI**	**70% of CPI**
Last actuarial valuation	**12/31/07**	**12/31/07**	**09/30/08**

Economic assumptions	2007		
	SaskTel	SGI	SaskPower
Discount rate - end of year	5.50%	5.50%	5.75%
Expected return on plan assets	6.75%	6.25%	6.75%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	3.50%	3.50%
Post-retirement index	100% of CPI	50% of CPI	70% of CPI
Last actuarial valuation	12/31/06	12/31/05	09/30/07

Information about the Corporation's defined benefit plans is as follows:

(thousands of dollars)	2008		
	SaskTel	**SGI**	**SaskPower**
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	**$ 1,015,444**	**$ 12,801**	**$ 826,941**
Current service cost	**3,413**	**79**	**8,518**
Curtailment gain	**(18,010)**	**-**	**-**
Interest cost	**54,348**	**728**	**46,725**
Benefits paid	**(63,273)**	**(1,004)**	**(44,146)**
Impact of change in actuarial assumptions	**7,389**	**-**	**-**
Impact of change in discount rate	**(184,125)**	**(1,880)**	**(41,982)**
Experience and other	**-**	**1,015**	**8,583**
Special termination benefit	**11,584**	**-**	**-**
Accrued benefit obligation, end of year	**$ 826,770**	**$ 11,739**	**$ 804,639**

(thousands of dollars)	2007		
	SaskTel	SGI	SaskPower
Accrued benefit obligation			
Accrued benefit obligation, beginning of year	$ 1,049,368	$ 14,035	$ 836,505
Current service cost	5,622	68	8,949
Interest cost	52,329	670	43,218
Benefits paid	(58,529)	(1,384)	(42,770)
Impact of change in actuarial assumptions	-	-	23,512
Impact of change in discount rate	(40,242)	(564)	(42,473)
Experience and other	(24,988)	(24)	-
Special termination benefit	31,884	-	-
Accrued benefit obligation, end of year	$ 1,015,444	$ 12,801	$ 826,941

25. Employee Future Benefits (continued)

Information about the Corporation's defined benefit plans (continued)

(thousands of dollars)	2008		
	SaskTel	**SGI**	**SaskPower**
Plan assets			
Fair value of plan assets, beginning of year	**$ 1,044,655**	**$ 13,262**	**$ 835,906**
Actual return on plan assets	**(167,182)**	**(1,437)**	**(95,368)**
Employee funding contributions	**749**	**21**	**1,560**
Employer funding contributions	**29,599**	**44**	**463**
Benefits paid	**(63,273)**	**(1,004)**	**(44,146)**
Other	**-**	**854**	**-**
Fair value of plan assets, end of year	**$ 844,548**	**$ 11,740**	**$ 698,415**
Funded status - plan surplus (deficit)	**$ 17,778**	**$ 1**	**$ (106,224)**
Unamortized transitional asset	**(3,844)**	**(202)**	**-**
Unamortized past service cost	**1,056**	**-**	**15,438**
Unamortized net actuarial losses	**76,528**	**1,576**	**107,847**
Accrued pension asset	**$ 91,518**	**$ 1,375**	**$ 17,061**

(thousands of dollars)	2007		
	SaskTel	SGI	SaskPower
Plan assets			
Fair value of plan assets, beginning of year	$ 1,007,653	$ 14,198	$ 790,190
Actual return on plan assets	54,080	395	86,293
Employee funding contributions	1,186	17	1,738
Employer funding contributions	40,265	35	455
Benefits paid	(58,529)	(1,384)	(42,770)
Fair value of plan assets, end of year	$ 1,044,655	$ 13,261	$ 835,906
Funded status - plan surplus	$ 29,211	$ 460	$ 8,965
Unamortized transitional asset	(15,496)	(378)	-
Unamortized past service cost	4,595	-	28,167
Unamortized net actuarial losses	42,451	845	(9,124)
Valuation allowance	-	(299)	-
Accrued pension asset	$ 60,761	$ 628	$ 28,008

On a combined basis, the accrued pension asset is $109,954 thousand (2007 - $89,397 thousand) (Note 9).

The defined benefit plan pension expense (income) is as follows:

(thousands of dollars)	2008		
	SaskTel	**SGI**	**SaskPower**
Current service cost - defined benefit plan	**$ 2,663**	**$ 56**	**$ 6,495**
Interest cost	**54,350**	**729**	**46,725**
Expected return on pension plan assets	**(63,367)**	**(856)**	**(55,002)**
Special termination benefits cost	**11,584**	**-**	**-**
Amortization of net transitional asset	**(11,651)**	**(201)**	**-**
Amortization of past service costs	**3,538**	**-**	**12,729**
Amortization of actuarial losses (gains)	**1,726**	**(68)**	**-**
Other	**-**	**(316)**	**-**
Defined benefit plan pension (income) expense	**$ (1,157)**	**$ (656)**	**$ 10,947**

25. Employee Future Benefits (continued)

The defined benefit pension plan expense (income) (continued)

(thousands of dollars)	2007		
	SaskTel	SGI	SaskPower
Current service cost - defined benefit plan	$ 4,436	$ 51	$ 6,755
Interest cost	52,328	670	43,218
Expected return on pension plan assets	(59,897)	(846)	(50,044)
Special termination benefits cost	31,884	-	-
Amortization of net transitional asset	(11,651)	(189)	(4,472)
Amortization of past service costs	3,808	-	12,784
Amortization of actuarial losses (gains)	5,166	(63)	-
Other	-	299	-
Defined benefit plan pension (income) expense	$ 26,074	$ (78)	$ 8,241

The asset allocation of the defined benefit pension plans is as follows:

	2008		
	SaskTel	**SGI**	**SaskPower**
Asset category			
Short-term investments	**4.6%**	**5.0%**	**0.7%**
Bond and debentures	**32.6%**	**54.0%**	**39.0%**
Equity securities - Canadian	**23.4%**	**15.0%**	**24.7%**
Equity securities - US	**13.4%**	**15.0%**	**10.6%**
Equity securities - Non-North American	**16.0%**	**11.0%**	**25.0%**
Real estate	**10.0%**	**-%**	**-%**

	2007		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	11.4%	9.0%	0.6%
Bond and debentures	27.9%	52.0%	32.8%
Equity securities - Canadian	22.7%	15.0%	26.9%
Equity securities - US	13.1%	12.0%	10.6%
Equity securities - Non-North American	17.1%	12.0%	29.1%
Real estate	7.8%	-%	-%

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan:

(thousands of dollars)	2008			
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**
Accrued benefit liability	**$ 16,320**	**$ 3,080**	**$ 43,562**	**$ 13,938**
Net expense (income)	**343**	**1,063**	**10,300**	**(189)**

(thousands of dollars)	2007			
	SaskTel	SGI	SaskPower	SaskEnergy
Accrued benefit liability	$ 17,830	$ 2,436	$ 42,923	$ 15,516
Net expense	1,282	942	13,360	2,631

25. Employee Future Benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are:

2008	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	**7.40%**	**7.40%**	**6.25%**	**7.10%**
Long-term rate of compensation increases	**3.00%**	**3.50%**	**3.50%**	**4.00%**
Remaining service life (years)	**14.0**	**12.0**	**9.1**	**8.0**

2007	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	5.00%	5.25%	5.75%	5.00%
Long-term rate of compensation increases	3.00%	3.50%	3.50%	4.00%
Remaining service life (years)	14.0	12.0	9.7	9.0

Defined Contribution Pension Plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. During the year, the Corporation paid $36.9 million (2007 - $32.4 million) into these plans.

26. Rate Regulation

The fact that the Corporation is subject to rate regulation does not result in the Corporation selecting accounting policies that would materially differ from generally accepted accounting principles.

Telecommunications

The Corporation's telecommunications and broadcast services are regulated by the Canadian Radio-television and Telecommunications Commission (CRTC). However, the CRTC only regulates rates for specific telecommunications services and only in locations where the CRTC believes that the level of competition in that service is not high enough that market forces can be relied on to protect the interests of customers. For these "non-forborne" services, the rate which the Corporation may charge must receive CRTC approval prior to being implemented and may not be set below the long-run incremental costs of the service, calculated according to CRTC costing rules. The CRTC also regulates rates for all services that are designed for use by competitors. The CRTC requires rates for many of these services to be based on long-run incremental costs plus approved mark-ups.

In addition, the CRTC has implemented a price cap framework which: limits the Corporation's flexibility in the pricing of some rate regulated retail services; subjects certain competitor service rates to potential annual decreases; and prohibits the Corporation from altering basic residential access rates in areas deemed to be Low Cost Serving Areas. The CRTC has established a subsidy mechanism aimed at keeping basic residential access affordable in areas deemed by the CRTC to be High Cost Serving Areas (HCSAs). In these areas the Corporation receives a subsidy from the National Contribution Fund equal to the difference between long-run incremental costs in these areas and the rates charged to subscribers. Therefore the revenue received by the Corporation in these areas is effectively the rate charged to subscribers plus the subsidy per line. The cost component of the subsidy calculation amount is adjusted annually based on assumed productivity gains less inflation. The rate component is also adjusted annually as the CRTC has given the Corporation the ability to make annual rate increases equal to the rate of inflation in HCSAs, however, even if the Corporation does not raise rates in these areas, the increase is assumed to have been applied and the subsidy per line is decreased.

Approximately $204.8 million (2007 - $298.9 million) of the Corporation's operating revenues are currently subject to CRTC rate regulation.

26. Rate Regulation (continued)

Property and casualty insurance

Regulation of automobile insurance premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia, which represent approximately $32.9 million (2007 - $25.9 million) of the Corporation's consolidated revenue.

Gas marketing and natural gas commodity

The Corporation's operations in certain jurisdictions are subject to rate regulation by the National Energy Board, Manitoba Public Utilities Board and the Nova Scotia Utility and Review Board, which represents approximately $13.9 million (2007 - $11.0 million) of the Corporation's consolidated revenue.

27. Subsequent Event

Subsequent to year end, the Corporation disposed of the Alberta operations of DirectWest Canada Inc. for consideration of $4.7 million.

28. Comparative Figures

Certain of the 2007 comparative figures have been reclassified to conform to current year's presentation.

Crown Investments Corporation of Saskatchewan

CIC NON-CONSOLIDATED

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ANALYSIS OF FINANCIAL RESULTS

CIC's non-consolidated financial statements are used to determine CIC's capacity to pay dividends to the Province's GRF. These non-consolidated financial statements isolate the Corporation's cash-flow, and capital and operating support for certain subsidiary Crown corporations. Inclusion of these financial statements in the Annual Report of CIC enhances accountability and the transparency of CIC's operations.

This narrative on CIC's non-consolidated 2008 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

COMPARISON OF 2008 RESULTS WITH 2007 RESULTS

Earnings

The following table presents a five year comparison of CIC's financial results:

(millions of dollars)	2008	2007	2006	2005	2004
Dividend revenue from Crown corporations	**$ 773.4**	$ 221.1	$ 237.7	$ 194.9	$ 287.2
Add: Revenue from investments[1]	**26.3**	399.9	112.1	109.5	63.6
Grant funding from GRF	**2.1**	-	-	-	-
Less: Operating and other expenses	**(22.1)**	(15.2)	(13.3)	(12.0)	(9.0)
Grants to subsidiaries	**(30.5)**	(28.9)	(14.2)	(44.3)	(66.8)
Total Non-Consolidated Earnings	**$ 749.2**	$ 576.9	$ 322.3	$ 248.1	$ 275.0

[1]Revenue from investments includes NewGrade from 2004 to the date of sale in 2007.

Earnings for 2008 were $749.2 million (2007 - $576.9 million), an increase of $172.3 million from 2007. Improved earnings are primarily a result of increased dividend revenue of $552.3 million offset by the decrease in revenue from investments of $373.6 million due to a gain on the sale of NewGrade in 2007 of $383.1 million.

Other movements in earnings from 2007 were:

- An increase in grant funding from the GRF of $2.1 million;
- An increase in interest revenue of $9.5 million;
- An increase in operating costs of $6.9 million; and
- An increase in grants to subsidiaries of $1.6 million.

Dividend Revenue

CIC's revenue is comprised of dividends from subsidiary Crown corporations and revenue from investments. Dividends from subsidiary Crown corporations are the primary determinant in CIC's ability to pay regular dividends to the GRF.

CIC's dividend revenue depends mainly on commodity prices and weather. Commodity prices influence the earnings of investments owned by Investment Saskatchewan, specifically the fertilizer, hog and lumber markets. Revenues are influenced by weather as follows:

- Demand for electricity and natural gas increases during cold weather, impacting earnings at SaskPower and SaskEnergy.
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season.
- Water run-off levels impact SaskPower's capacity to generate hydro electricity at a much lower cost compared to fuel and coal generation.

Dividend Revenue (continued)

Occasionally, CIC receives dividends when a subsidiary Crown corporation disposes of an investment for a gain, as was the case in 2008 when Investment Saskatchewan sold Saskferco Products Inc. for a gain of $679.8 million.

Dividend revenue in 2008 increased $552.3 million to $773.4 million. The following chart shows a five year history on revenue by contribution source:

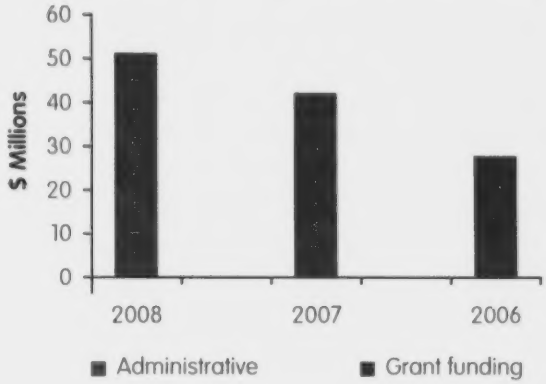
(millions of dollars)	2008	2007	2006	2005	2004
Dividend revenue					
SaskPower	**$ 46.0**	$ 97.0	$ 60.2	$ 84.8	$ 59.8
SaskTel	**78.9**	30.0	50.0	57.9	88.0
SaskEnergy	**42.9**	53.0	34.5	29.3	70.0
SGI	**26.2**	22.8	33.9	22.9	27.1
Investment Saskatchewan	**543.0**	10.3	59.1	-	42.3
ISC	**21.1**	8.0	-	-	-
SGC	**15.3**	-	-	-	-
NewGrade	**-**	-	105.0	105.0	60.4
Total Dividend Revenue	**$ 773.4**	$ 221.1	$ 342.7	$ 299.9	$ 347.6

- SaskPower's dividend in 2008 of $46.0 million decreased $51.0 million from $97.0 million in 2007. This decrease is primarily due to increased operating costs as a result of rising fuel and purchased power costs, partially offset by an improvement in revenue. In addition, there was a reduction in the dividend rate for SaskPower from 65 per cent to 50 per cent.
- SaskTel's dividend of $78.9 million increased by $48.9 million from its 2007 dividend of $30.0 million. The increase is primarily due to revenues increasing more than expenses with continued strong customer growth in cellular, Max™ Entertainment and internet services, and by growth in Hospitality Network Canada Inc., DirectWest Corporation and SecurTek Monitoring Solutions Inc. In addition, SaskTel's dividend rate increased from 36 per cent in 2007 to 65 per cent of earnings in 2008.
- SaskEnergy's 2008 dividend of $42.9 million decreased $10.1 million from $53.0 million in 2007. In 2008 higher prices were paid for natural gas decreasing the margins on the increased volumes sold.
- SGI's 2008 dividend increased $3.4 million to $26.2 million compared to $22.8 million in 2007. The increase was due mainly to a lower loss ratio in 2008 compared to 2007 as a result of higher than average summer storm activity in Saskatchewan in 2007.
- On October 1, 2008, Investment Saskatchewan sold its investment in Saskferco for net proceeds of $816.9 million. From these proceeds, Investment Saskatchewan paid CIC a dividend of $543.0 million, an increase of $532.7 million over the 2007 dividend.
- ISC's dividend increased $13.1 million to $21.1 million from $8.0 million in 2007 primarily due to a larger volume of land transactions and increased market values of properties.
- NewGrade was sold on November 1, 2007. CIC did not receive a dividend in 2008 or 2007.
- SGC was designated a CIC Crown corporation effective April 1, 2008 and paid a dividend of $15.3 million for 2008.

COMPARISON OF 2008 RESULTS WITH 2007 RESULTS

Expenses

CIC's expenses are divided into two main categories: administrative, and grants to subsidiary Crown corporations. The adjacent chart shows CIC's expenses by category. Total expenses in 2008 of $52.6 million were $8.5 million higher than the 2007 total of $44.1 million.



Administrative Expenses

Administrative expenses increased by $6.9 million during 2008 to $22.1 million, primarily as a result of higher costs for general operations and increased program funding.

Grants to Subsidiary Crown Corporations

CIC grant funding to STC of $15.1 million decreased from $20.5 million in 2007. Funding for 2008 was comprised of $6.2 million (2007 - $5.0 million) for operations, $2.3 million (2007 - $1.9 million) to meet capital requirements, and $6.6 million (2007 - $13.6 million) to complete the construction of the new bus terminal in Regina. STC began construction of its new facility in 2005 and has received a total of $25.5 million from CIC for the project. The new facility was completed in 2008 and was opened to the public in November 2008.

CIC provided $4.5 million in grants to SaskTel to fund FleetNet, a provincial emergency communications network. CIC provided SaskEnergy with $7.6 million (2007 - $ 5.8 million) as part of the Saskatchewan Energy Share program. SaskPower received $2.1 million for carbon capture and storage demonstration projects. CIC provided this grant out of restricted funding from the GRF. Gradworks Inc. received $1.0 million in grants in 2008 (2007 - $2.5 million) to fund its internship program.

Operating, Investing and Financing Activities

(millions of dollars)		2008		2007
Cash Flow Highlights				
Cash from operations	**$**	**761.2**	$	233.1
Cash (used in) provided by investing activities		**(150.1)**		181.5
Cash used in financing activities		**(545.8)**		(167.0)
Increase in Cash	**$**	**65.3**	$	247.6

Cash from operations in 2008 of $761.2 million increased from 2007 by $528.1 million. The increase was mainly due to higher dividend revenue and a decrease in dividends receivable as at December 31, 2008, reflecting the timing of dividend payments from Crown corporations. Dividends are paid by Crown corporations to CIC on a quarterly basis, with a one quarter lag between the dividend declaration and the dividend payment.

In 2008, CIC used $150.1 million in investing activities. Cash used in investing activities is $331.6 million more than in 2007 when investing activities provided $181.5 million. During 2007, CIC sold its interest in NewGrade for net proceeds of $383.1 million. There was no similar cash flow from sale of investments in 2008.

In 2008, the retraction of Investment Saskatchewan Inc. shares provided $128.8 million more cash than in 2007. This was offset by additional net purchases of short-term investments of $58.8 million in 2008 compared to 2007.

CIC continued to invest in its venture capital funds that focus on investing in Saskatchewan. During the year CIC invested $2.2 million in CIC Economic Holdco Ltd. and $4.2 million in CIC Apex Equity Holdco Ltd.

Cash used in financing activities is comprised primarily of CIC's dividend payments to the GRF and repayment of equity advances to the GRF. In 2007, CIC declared a dividend to the GRF of $200.0 million, paid in March 2008. CIC also declared and paid a dividend to the GRF of $215.0 million in the second quarter of 2008. CIC repaid $130.0 million of equity advances to the GRF in 2008.

Public Policy Initiatives

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

CIC Economic Holdco Ltd. was established in November 2005 in order to hold a joint venture interest in Saskatchewan Entrepreneurial Fund Joint Venture (The Fund). The Fund operates as an institutional investment fund focusing on investment in the Province of Saskatchewan and the creation of employment and economic growth and expansion of the small business sector. To December 31, 2008, CIC had invested $3.3 million in the Fund.

Subsequent to year end, the CIC Board approved the discontinuation of further capital contributions by CIC to the Fund.

First Nations and Métis Fund Inc.

First Nations and Métis Fund Inc. was established in May 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million until 2009. To December 31, 2008, CIC had invested $4.1 million in the Fund.

CIC Apex Equity Holdco Ltd. (Apex Investment Limited Partnership)

CIC Apex Equity Holdco Ltd. was established in February 2007 to hold a joint venture interest in Apex Investment Limited Partnership (The Fund). Together with its partners Conexus Credit Union 2006, Cornerstone Credit Union, Innovation Credit Union and PFM Capital Inc. the Fund focuses on debt and equity investments in the Province of Saskatchewan's small and medium sized business sector. CIC is committed to invest up to $60.0 million in the Fund. To December 31, 2008 CIC had fulfilled $9.5 million of its commitment.

Gradworks Inc.

The Gradworks internship program was formally launched in February 2005 after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other employers. In 2008, CIC provided grant funding of $1.0 million (2007 - $2.5 million) to Gradworks.

COMPARISON OF 2008 RESULTS WITH BUDGET

(millions of dollars)	2008 Dividend Revenue Budget	Actual	Dividend (%) of earnings
Dividends to CIC			
SaskPower	$ 65.5	$ 46.0	50%
SaskTel	49.3	78.9	65%
SaskEnergy	51.5	42.9	80%
SGI	25.1	26.2	65%
Investment Saskatchewan	14.0	543.0	79%
ISC	12.8	21.1	90%
SGC	14.1	15.3	80%
Total Dividend Revenue	**232.3**	**773.4**	
Grant Funding	(26.3)	(30.5)	
Other Income & Expenses	(4.0)	6.3	
Non-Consolidated Earnings	**202.0**	**749.2**	
Dividend to the GRF	**$ 550.0**	**$ 365.0**	

Earnings

The preceding table shows CIC's non-consolidated earnings for 2008. Non-consolidated earnings for 2008 of $749.2 million compared favourably to the budgeted amount of $202.0 million. The earnings exceeded budget primarily due to increased dividend revenue from Investment Saskatchewan.

Dividend Revenue

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations:

- SaskPower dividends were below budget due to a decrease in Saskatchewan sales and lower exports, offset by lower fuel and purchased power costs and operating expenses.
- SaskTel dividends were above budget due to higher than budgeted operating margins.
- SaskEnergy dividends were below budget due to higher costs of natural gas sold associated with natural gas marketing and distribution utility commodity sales.
- SGI dividends were higher than budget due to solid underwriting performance in Saskatchewan operations. Revenues exceeded budget as a result of stronger than planned Saskatchewan business while claims expense was on budget.
- Investment Saskatchewan's dividends were higher than budget due to the sale of its investment in Saskferco for net proceeds of $816.9 million. A dividend of $543.0 million was paid from these proceeds.
- ISC dividends were above budget due to higher than expected volume and value of land transactions.

Grant Funding

CIC's grant funding to subsidiary Crown corporations was above budget by $4.2 million. This is primarily because the grants of $4.5 million to SaskTel to fund FleetNet and $2.1 million to SaskPower for carbon capture and storage demonstration projects were not included in the 2008 budget. This is offset by lower than budgeted grants to SaskEnergy, Gradworks and STC.

Dividend to the GRF

In 2008, CIC declared a dividend to the GRF of $365.0 million (2007 - $200.0 million). During the year Cabinet deferred $185.0 million of CIC's original budgeted dividend of $550.0 million to the 2009-10 Provincial Government's fiscal year.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

Earnings of Crown Corporations

- The key factor affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary after allocating cash for reinvestment into the Crown and also for debt reduction, if necessary.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges the investment to have an other then temporary decline in carrying value.

LOOKING AHEAD TO 2009

CIC's key financial initiatives for 2009 include:

- Enhance accountability and transparency through implementation of a CEO/CFO certification of internal controls over financial reporting broadly consistent with approaches used in publicly accountable corporations.
- Ensure a smooth transition to IFRS for CIC and its subsidiary Crown corporations.
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.
- Continue to provide a return to the shareholder.
- Contribute to important public policy initiatives by:
  - Funding youth initiatives such as Gradworks and the CIC Aboriginal Bursary Program; and
  - Providing capital to fund specified economic initiatives, e.g. funding of carbon capture and storage demonstration projects.

(millions of dollars) Crown Corporation 2009 Budget		Earnings		Dividend	Dividend (% of Crown earnings)
SaskPower	$	137.5	$	-	-
SaskTel		115.7		92.8	80%
SaskEnergy		71.8		57.6	80%
SGI		40.6		26.4	65%
Investment Saskatchewan		18.7		n/a[1]	n/a[1]
ISC		17.0		15.3	90%
SaskWater[2]		(0.1)		-	-
STC		(1.1)		-	-
SOCO[2]		5.0		-	-
Saskatchewan Gaming Corporation		25.4		20.3	80%
CIC (non-consolidated), Other, Adjustments		(28.7)		-	-
Consolidated Earnings	**$**	**401.8**			
Dividend to the GRF	**$**	**295.0**			

[1] Investment Saskatchewan's dividend is determined on a cash availability formula, which is determined at year end.
[2] SaskWater and SOCO operating budgets are subject to change by the CIC Board of Directors.

Responsibility for Financial Statements

The accompanying non-consolidated financial statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1 to the financial statements, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the non-consolidated financial statements, the notes to the non-consolidated financial statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG LLP and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the non-consolidated financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the non-consolidated financial statements, appears below.

Ron Styles - President & CEO

Blair Swystun, CFA - Senior Vice-President & CFO

March 31, 2009

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2008 and the non-consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 31, 2009

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of dollars)		2008		2007
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	**623,323**	$	558,030
Short-term investments (Note 5)		**671,726**		306,460
Interest and accounts receivable		**3,648**		3,285
Dividends receivable		**57,543**		67,721
		1,356,240		935,496
Restricted cash and cash equivalents (Note 6)		**238,728**		-
Equity advances to Crown corporations (Note 7)		**1,093,187**		1,075,382
Investments in share capital corporations (Note 8)		**44,154**		277,297
Equipment (Note 9)		**375**		336
	$	**2,732,684**	$	2,288,511
LIABILITIES AND PROVINCE'S EQUITY				
Interest and accounts payable	$	**3,213**	$	1,187
Dividend payable to General Revenue Fund		**150,000**		200,000
Deferred funding (Note 6)		**237,895**		-
		391,108		201,187
Province of Saskatchewan's Equity				
Equity advances (Note 10)		**1,051,152**		1,181,152
Retained earnings		**1,290,424**		906,172
		2,341,576		2,087,324
	$	**2,732,684**	$	2,288,511

Commitments and Contingencies (Note 11)
(See accompanying notes)

On behalf of the Board:

Director

Director

NON-CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year Ended December 31 (thousands of dollars)		2008		2007
REVENUE				
Dividend (Note 12)	**$**	**773,398**	$	221,129
Interest		**26,287**		16,743
Grant funding from GRF (Note 6)		**2,105**		-
Other		**37**		50
		801,827		237,922
EXPENSES				
General, administrative and other		**21,927**		14,975
Amortization		**156**		227
		22,083		15,202
Earnings before the following		**779,744**		222,720
Gain on sale of NewGrade Energy Inc. (Note 8(e))		**-**		383,133
Grants to Crown Corporations (Note 13)		**(30,492)**		(28,946)
NET EARNINGS		**749,252**		576,907
OTHER COMPREHENSIVE INCOME		**-**		-
COMPREHENSIVE INCOME	**$**	**749,252**	$	576,907

(See accompanying notes)

NON-CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31 (thousands of dollars)		2008		2007
RETAINED EARNINGS, BEGINNING OF YEAR	**$**	**906,172**	$	529,265
NET EARNINGS		**749,252**		576,907
DIVIDEND TO GENERAL REVENUE FUND		**(365,000)**		(200,000)
RETAINED EARNINGS, END OF YEAR	**$**	**1,290,424**	$	906,172

(See accompanying notes)

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31 (thousands of dollars)		2008		2007
OPERATING ACTIVITIES				
Net earnings	**$**	**749,252**	$	576,907
Add (deduct) non-cash items:				
Gain on sale of NewGrade Energy Inc.		**-**		(383,133)
Amortization		**156**		227
		749,408		194,001
Net change in non-cash working capital balances related to operations (Note 14)		**11,841**		39,112
Cash provided by operating activities		**761,249**		233,113
INVESTING ACTIVITIES				
Proceeds from retraction of Investment Saskatchewan Inc. shares (Note 8(a))		**239,517**		110,677
Proceeds from retraction of Information Services Corporation equity advances (Note 7(b))		**12,000**		-
Equity advance to Saskatchewan Gaming Corporation (Note 7(a))		**(29,805)**		-
Increase in short-term investments		**(365,266)**		(306,460)
Proceeds from the sale of NewGrade Energy Inc.		**-**		383,133
Purchase of investments		**(6,374)**		(5,855)
Purchase of equipment		**(195)**		(50)
Cash (used in) provided by investing activities		**(150,123)**		181,445
FINANCING ACTIVITIES				
Increase in restricted cash and cash equivalents		**(238,728)**		-
Increase in deferred funding		**237,895**		-
Repayment of equity advances to the General Revenue Fund		**(130,000)**		-
Dividend paid		**(415,000)**		(167,000)
Cash used in financing activities		**(545,833)**		(167,000)
NET INCREASE IN CASH DURING YEAR		**65,293**		247,558
CASH POSITION, BEGINNING OF YEAR		**558,030**		310,472
CASH POSITION, END OF YEAR	**$**	**623,323**	$	558,030

(See accompanying notes)

1. Summary of Significant Accounting Policies

The non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

With the exception of Investment Saskatchewan Inc., Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for using the cost method regardless of whether or not there is a parent-subsidiary relationship. When there has been a decline in the value of a share capital corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when declared.

d) Equipment

Equipment is recorded at cost. When these assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment is amortized using the following methods:

Computer equipment	- 3 years straight-line
Furniture and equipment	- 20% declining balance
Computer software	- 3 years straight-line
Leasehold improvements	- over life of lease

e) Financial instruments

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. CIC has made the following classifications:

- Cash and cash equivalents, short-term investments, and restricted cash and cash equivalents are classified as financial assets held-for-trading and are measured at fair value.
- Interest and accounts receivable and dividends receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method.
- Interest and accounts payable and dividend payable to the General Revenue Fund are classified as other liabilities and measured at amortized cost using the effective interest rate method.

f) Cash position

Cash position includes the cash held within CIC's bank accounts and investments which mature on or before March 31, 2009.

1. Summary of Significant Accounting Policies (continued)

g) Future accounting policy changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including CIC, will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. CIC has commenced an IFRS conversion project including initiating the development of a high level IFRS implementation plan. An external advisor has been engaged by CIC to assist with a detailed review of the major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on CIC's future financial position and results of operations is not reasonably determinable.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Gaming Corporation (Note 7(a))
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and the sole shareholder of First Nations and Métis Fund Inc. (FNMF), CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd. which are wholly-owned share capital subsidiaries.

3. Change in Accounting Policy

Effective January 1, 2008, CIC adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on CIC's operating results.

Effective January 1, 2008, CIC adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of CIC's risks arising from financial instruments.

The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on CIC's operating results.

4. Cash and Cash Equivalents

Included in cash and cash equivalents are $603.8 million (2007 - $558.0 million) of investments maturing on or before March 31, 2009 with an effective interest rate of 1.83 per cent (2007 - 4.16 per cent).

5. Short-Term Investments

Included in short-term investments are $671.7 million (2007 - $306.5 million) of investments maturing on or before June 26, 2009 with an effective interest rate of 2.01 per cent (2007 - 4.03 per cent).

6. Restricted Cash and Cash Equivalents and Deferred Funding

Included in restricted cash and cash equivalents are $177.5 million (2007 - $Nil) of investments maturing on or before March 31, 2009 with an effective interest rate of 1.32 per cent.

Restricted cash and cash equivalents and deferred funding are comprised of unspent funding transferred to CIC from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects undertaken by Saskatchewan Power Corporation (SaskPower). As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount. To December 31, 2008, $2.1 million has been funded to SaskPower under this program as follows:

(thousands of dollars)		
Deferred grant funding received from GRF	$	**240,000**
Grant funding earned and grant to SaskPower		**(2,105)**
	$	**237,895**
Comprised of :		
Restricted cash and cash equivalents	$	**238,728**
Payable to SaskPower (a)		**(833)**
Deferred funding	$	**237,895**

(a) Amounts payable to SaskPower are included in interest and accounts payable.

7. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows:

(thousands of dollars)		2008		2007
Saskatchewan Power Corporation	$	**660,000**	$	660,000
Saskatchewan Telecommunications Holding Corporation		**250,000**		250,000
SaskEnergy Incorporated		**71,531**		71,531
Saskatchewan Government Insurance		**80,000**		80,000
Saskatchewan Gaming Corporation (a)		**29,805**		-
Saskatchewan Development Fund Corporation		**1,150**		1,150
Saskatchewan Water Corporation		**700**		700
Saskatchewan Government Growth Fund Management Corporation		**1**		1
Information Services Corporation of Saskatchewan (b)		**-**		12,000
	$	**1,093,187**	$	1,075,382

a) Effective April 1, 2008, the Saskatchewan Gaming Corporation was designated a CIC Crown corporation. On June 2, 2008, CIC provided Saskatchewan Gaming Corporation with an equity advance of $29.8 million.

b) On December 31, 2008 CIC retracted $12.0 million of outstanding equity advances to Information Services Corporation of Saskatchewan.

c) Crown corporations are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments.

8. Investments in Share Capital Corporations

(thousands of dollars)	Voting Percentage	2008	2007
Investment Saskatchewan Inc. (a):			
17,999,983 (2007 - 41,951,683) common shares	100%	**$ 180,000**	$ 419,517
First Nations and Métis Fund Inc. (FNMF) (b):			
100 (2007 - 100) Class A common shares	100%	**-**	-
Due from FNMF		**4,100**	4,100
		4,100	4,100
CIC Economic Holdco Ltd. (c):			
100 (2007 - 100) Class A common shares	100%	**-**	-
Due from CIC Economic Holdco Ltd.		**3,300**	1,100
		3,300	1,100
CIC Apex Equity Holdco Ltd. (d):			
100 (2007 - 100) Class A Common Shares	100%	**-**	-
Due from CIC Apex Equity Holdco Ltd.		**9,479**	5,305
		9,479	5,305
		196,879	430,022
Write down of investments:			
Investment Saskatchewan Inc.		**(152,725)**	(152,725)
		$ 44,154	$ 277,297

a) On September 3, 2003, Investment Saskatchewan Inc. was designated as a Crown Corporation to which provisions of **The Crown Corporations Act 1993,** apply.

During the year, CIC retracted 23,951,700 shares (2007 - 11,067,700 shares) of Investment Saskatchewan Inc. for proceeds of $239.5 million (2007 - $110.7 million).

b) FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan.

c) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent (2007 - 45.5 per cent) joint venture interest in SEFJV.

At December 31, 2008, CIC Economic Holdco Ltd. had total assets of $3.4 million (2007 - $1.0 million) and recorded net income of $0.2 million (2007 - net loss of $37.0 thousand). CIC has invested $3.3 million (2007 - $1.1 million) in capital in SEFJV through CIC Economic Holdco Ltd.

Subsequent to year end, the CIC Board of Directors approved the discontinuation of further capital contributions by CIC to the Fund.

8. Investments in Share Capital Corporations (continued)

d) CIC, through its wholly-owned subsidiary, CIC Apex Equity Holdco Ltd., entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investment Limited Partnership (APEX). APEX was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized businesses. The objective of APEX is to realize long-term capital appreciation from its investments. CIC Apex Equity Holdco. Ltd. holds a 60.0 per cent (2007 - 60.0 per cent) joint venture interest in APEX.

At December 31, 2008, CIC Apex Equity Holdco Ltd. had total assets of $14.9 million (2007 - $6.6 million) and recorded net earnings of $3.3 million (2007 - $1.0 million). CIC has invested $9.5 million (2007 - $5.3 million) in capital in APEX through CIC Apex Equity Holdco Ltd.

e) On November 1, 2007, CIC sold its 50.0 per cent interest in NewGrade Energy Inc. to Consumers' Cooperative Refineries Limited for net proceeds of $383.1 million, generating a gain on sale of $383.1 million.

f) The securities of Investment Saskatchewan Inc., FNMF, CIC Apex Equity Holdco Ltd. and CIC Economic Holdco Ltd., are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments.

9. Equipment

(thousands of dollars)	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 1,361	$ 986	$ 375	$ 336

10. Equity Advances and Capital Disclosures

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF. CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt. Equity advances from the GRF have been invested in subsidiary Crown corporations.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown corporation dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown corporation dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown corporation earnings.

During the year, CIC paid $415.0 million in dividends, $200.0 million relating to amounts accrued in 2007 and $215.0 million relating to dividends declared in 2008. CIC has accrued a further $150.0 million from 2008 earnings which will be paid to the GRF on or before March 31, 2009. During 2008, CIC repaid $130.0 million in equity advances from cash reserves.

11. Commitments and Contingencies

a) CIC and Consumer's Co-operative Refineries Limited (CCRL) entered into an agreement whereby CIC has agreed to provide up to $5.0 million of grant funding towards CCRL'S research, development or implementation of technologies that reduce greenhouse gas emissions.

b) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2009.

c) CIC has committed to invest up to $20.0 million in the First Nations and Métis Fund Inc. until 2009. At December 31, 2008, CIC has invested $4.1 million (2007- $4.1 million).

d) CIC has committed to invest up to $60.0 million in the Apex Investment Limited Partnership. At December 31, 2008, CIC has invested $9.5 million (2007 - $5.3 million).

e) CIC has committed to fund TransCanada Energy Inc. a forgivable loan up to $26.0 million. The funding is expected to occur through June 2010, and is expected to provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstocks. At December 31, 2008, $5.9 million has been funded.

f) CIC has committed to provide Saskatchewan Telecommunications Holding Corporation $90.0 million (2007 - $Nil) in infrastructure grants over a three year period commencing in 2009.

12. Dividend Revenue

Dividend revenue consists of the following:

(thousands of dollars)		2008		2007
Investment Saskatchewan Inc.	$	**542,996**	$	10,310
Saskatchewan Telecommunications Holding Corporation		**78,896**		30,000
Saskatchewan Power Corporation		**46,007**		97,009
SaskEnergy Incorporated		**42,900**		53,000
Saskatchewan Government Insurance		**26,228**		22,810
Information Services Corporation		**21,051**		8,000
Saskatchewan Gaming Corporation		**15,320**		-
	$	**773,398**	$	221,129

13. Grants to Crown Corporations

Grants to Crown Corporations consist of the following:

(thousands of dollars)		2008		2007
Grant to Saskatchewan Transportation Company	$	**15,150**	$	20,550
Grant to Saskatchewan Energy Incorporated (a)		**7,610**		5,811
Grant to Saskatchewan Telecommunications Holding Corporation		**4,502**		-
Grant to Saskatchewan Power Corporation (Note 6)		**2,105**		-
Grant to Gradworks Inc.		**1,000**		2,460
Grant to Saskatchewan Water Corporation		**125**		125
	$	**30,492**	$	28,946

a) In November 2005, Cabinet announced a two-part plan to help Saskatchewan people reduce heating costs and share the benefits of increased revenues from natural gas. During the year, CIC provided $7.6 million (2007 - $5.8 million) to Saskatchewan Energy Incorporated to meet the directive.

14. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)		2008		2007
Increase in interest and accounts receivable	$	(363)	$	(2,986)
Decrease in dividends receivable		10,178		43,509
Increase (decrease) in interest and accounts payable		2,026		(1,411)
	$	11,841	$	39,112

15. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

Category (as per financial statements) (thousands of dollars)		2008		2007
Interest and accounts receivable	$	80	$	223
Interest and accounts payable		1,387		745
Other revenue		26		48
General, administrative and other expenses		2,463		2,797

In addition, CIC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to First Nations and Métis Fund Inc., Gradworks Inc., CIC Economic Holdco Ltd., CIC Apex Equity Holdco Ltd., and Saskatchewan Government Growth Fund Management Corporation without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

16. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2008 was $418.2 thousand (2007 - $375.5 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2008 exceed the actuarially determined net present value of retirement annuities payable.

Accumulated other comprehensive income
Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income, but excluded from net income.

Capital resources
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

Capital structure
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

Cash flow return on equity
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

Comprehensive income
The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Debt ratio
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) divided by the corporation's capital (debt plus average equity).

Derivative
A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

Dividend capacity
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

Dividend payout rate
The percentage of earnings that has been paid out as dividends.

Forward contract
A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

General Revenue Fund (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

Minimum capital test (MCT)
The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Option
A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

Other comprehensive income
Comprises revenue, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles are recognized in comprehensive income, but excluded from net income.

Performance Management Plans
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

Return on equity
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

Significant transaction
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

Sinking fund
An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

Swap
A contractual agreement to exchange a stream of periodic payments with a counterparty.

DIRECTORY

Crown Investments Corporation of Saskatchewan
400-2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-6851
President: Ron Styles
Web site: www.cicorp.sk.ca

Crown Investments Corporation of Saskatchewan

Subsidiaries

Information Services Corporation of Saskatchewan
300-10 Research Drive
Regina, Saskatchewan S4S 7J7
Inquiry: 1-866-275-4721
President: Jeff Stusek
Website: www.isc.ca

Investment Saskatchewan Inc.
1800-1874 Scarth Street
Regina, Saskatchewan S4P 4B3
Inquiry: (306) 787-7200
Managing Director: Rae Haverstock
Website: www.investsask.com

Saskatchewan Development Fund Corporation
400-2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-1645
Acting General Manager: John Amundson

Saskatchewan Government Growth Fund Management Corporation
400-2400 College Avenue
Regina, Saskatchewan S4P 1C8
Inquiry: (306) 787-7259
Acting President: John Admundson
Web site: www.sggfmc.com

Saskatchewan Government Insurance
2260-11th Avenue
Regina, Saskatchewan S4P 0J9
Inquiry: 1-800-667-9868
Acting President: Earl Cameron
Web site: www.sgi.sk.ca
www.sgicanada.ca

Saskatchewan Gaming Corporation
2020 Saskatchewan Drive
Regina, Saskatchewan S4P 0B2
Inquiry: (306) 787-1590
Acting President: Twyla Meredith
Web site: www.saskgaming.com

Saskatchewan Opportunities Corporation
114-15 Innovation Boulevard
Saskatoon, Saskatchewan S7N 2X8
Inquiry: 1-888-933-6295
President: Doug Tastad
Web site: www.innovationplace.com

Saskatchewan Power Corporation
2025 Victoria Avenue
Regina, Saskatchewan S4P 0S1
Inquiry: 1-888-757-6937
President: Pat Youzwa
Web site: www.saskpower.com

Saskatchewan Telecommunications
2121 Saskatchewan Drive
Regina, Saskatchewan S4P 3Y2
Inquiry: 1-800-727-5835
President: Robert Watson
Web site: www.sasktel.com

Saskatchewan Transportation Company
1717 Saskatchewan Drive
Regina, Saskatchewan S4P 2E2
Inquiry: (306) 787-3347
President: Ray Clayton
Web site: www.stcbus.com

Saskatchewan Water Corporation
111 Fairford Street East
Moose Jaw, Saskatchewan S6H 1C8
Inquiry: 1-888-230-1111
President: Stuart Kramer
Web site: www.saskwater.com

SaskEnergy Incorporated
1777 Victoria Avenue
Regina, Saskatchewan S4P 4K5
Inquiry: 1-800-567-8899
President: Doug Kelln
Web site: www.saskenergy.com

Crown Investments Corporation
of Saskatchewan

ANNUAL REPORT

Crown Investments Corporation of Saskatchewan
400 - 2400 College Avenue • Regina, Saskatchewan • Canada • S4P 1C8
Inquiries: 306.787.6851 • Fax: 306.787.8125 • Web site: www.cicorp.sk.ca